



GA-SEGONYANA LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Mayoral committee

Mayor

Masegela N.G.

Councillors

Name

Meyers T.E. (Speaker)
Assegai G.C.
Chweu K.H. (EXCO)
Disang M.F.
Dispi N.G.
Eiman B.A.
Galeboe M.P.
Kanjoruba K.F.
Leserwane O.A.
Madikiza Selepe K.B. (EXCO)
Makoke L.N.
Makwati K.R.
Mathibe O.D.
Mntuyedwa G.N.
Moagi L. (MPAC Chair)
Modise E.B. (EXCO)
Moseki L.C.
Mpata D.T.
Nelson L.R.
Ngesi N.G.
Nels K.A.
Reetsang M.G.
Thupaemang N.G.
Tshetshemeserogwe I.
Gaetsewe B.E.

Chief Financial Officer (CFO)	K. Noke
Accounting officer	M. Tsatsimpe
Registered office	Corner Voortrekker and School Street Kuruman
Business address	Corner Voortrekker and School Street Kuruman
Postal address	Private Bag X1522 Kuruman 8460

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

General Information

Bankers	First National Bank
Auditors	Auditor General (South Africa)
Jurisdiction	<p>The Ga-segonyana Local Municipality includes the following areas: Kuruman, Bankhara, Mothibistad, Magojaneng, Obama Hill, Ditshoswaneng, Mpoteng, Seoding, Mokalamosesane, Gamopedi, Ncweng, Galotolo, Pietbos, Sloja, Lokaleng, Geelboom, Sedibeng, Batlharos, Gasehubane, Garuele, Gasebolao, Maruping, Vergenoeg, Kagung, Lohatla, Seven Miles, Thamonyanche, Wrenchville, Promise Land and Thuli Madonsela.</p>
Relevant Legislation	<p>Constitution of the Republic of South Africa (Act No. 108 of 1996) Municipal Finance Management Act (Act 56 of 2003) Division of Revenue Act The Income Tax Act (Act No. 58 of 1962) Value Added Tax Act (Act No. 117 of 1998) Municipal Structures Act (Act No. 32 of 2000) Water Service Act (Act No.108 of 1997) Housing Act (Act No. 107 of 1997) Municipal Property Rates Act (Act No. 6 of 2004) Electricity Act (Act No. 41 of 1987) Skills Development Levies Act (Act No. 9 of 1999) Employment Equity Act (Act No. 55 of 1998) Unemployment Insurance Act (Act No. 30 of 1966) Basic Conditions of Employment Act (Act No. 75 of 1997) Municipal System Amendment Act (Act No. 7 of 2011) Municipal Planning and Performance Management Regulations Municipal Supply Chain Management Regulations Municipal Collective Agreements Municipal Budget and Reporting Regulations MFMA Circulars and Regulations</p>
Attorneys	<p>Mogaswa Attorneys Payper Attorneys Sifumba Attorneys Leepile Attorneys Modiboa Attorneys Koikanyang Attorneys Motshabi Attorneys</p>

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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Abbreviations

COLD	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Officer's Responsibilities and Approval

The Accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the Accounting officer to ensure that the annual financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the year then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and were given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Accounting officer to meet these responsibilities, the Accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Municipality and all employees are required to maintain the highest ethical standards in ensuring the Municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute assurance against material misstatement or deficit.

The Accounting officer has reviewed the Municipality's cash flow forecast for the year to 30 June 2021 and, in the light of this review and the current financial position, he is satisfied that the municipality has adequate resources to continue in operational existence for the foreseeable future.

Although the Accounting officer is primarily responsible for the financial affairs of the municipality, the annual financial statements are supported by the municipality's external auditors.

The annual financial statements set out on pages 6 to 81, which have been prepared on the going concern basis were approved by the on 31 October 2020.



M. Tsatsimpe
Municipal Manager

GA-SEGONYANA LOCAL MUNICIPALITY AUDIT, RISK AND PERFORMANCE COMMITTEE ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2020

The Committee is honoured to present its report for the financial period ending 30 June 2020.

Audit, Risk and Performance Committee consisted of Members listed below and should meet at least 4 times during the financial year in order to execute its mandate as per its approved Terms of Reference and Section 166 of the MFMA . During the financial year 4 meetings were held and attended by Members as follows:

Name of Member	Meetings attended
R. Tshimomola: Chairperson	4
F. Buys: Member	4
S. Simelane: Member	1

RESPONSIBILITIES OF AUDIT, RISK AND PERFORMANCE COMMITTEE

Audit, Risk and Performance Committee is pleased to report that it had complied with its responsibilities arising from Section 166 of the MFMA, Relevant Treasury Regulations, Treasury Circulars and other relevant legislations.

Audit, Risk and Performance Committee had formally adopted its Terms of Reference and discharged its duties during the financial year in compliance with its charter as follows:

- Reviewed and adopted Audit, Risk and Performance Committee Charter as approved by council.
- Reviewed and adopted Internal Audit Charter and Methodology.
- Reviewed and approved the three year rolling Internal Audit Plan and Annual Operational Audit Plan and monitored their implementations.
- Reviewed Risk Management documents presented by management and made appropriate recommendations for management to implement.
- Evaluated the findings raised by internal and external auditors and made recommendations on addressing the root cause of findings.
- Reviewed monthly and quarterly financial information reports presented by management and made recommendations on financial management improvements and reporting.
- Reviewed quarterly and annual performance information reports presented by management and made recommendations on performance management improvements and reporting.
- Reviewed quarterly and annual financial statements including contingent liabilities and gave council the credible view of the financial position, financial performance and cash flow information of the municipality.
- Reviewed revenue, expenditure, assets and liabilities management reports presented by management and recommended appropriate actions for management to implement.
- Reviewed conditional grants, unconditional grants, deviations, information communications technology, human resources management reports presented by management and recommended appropriate actions for management to implement.
- Reviewed audit action plans emanating from internal and external audit findings and recommended appropriate actions for management to implement.
- Liaised with the Auditor-General South Africa to discuss and resolve external audit matters.
- Prepared and presented quarterly reports to the council to fulfil oversight roles.

INTERNAL AUDIT

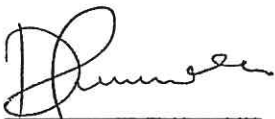
Audit, Risk and Performance Committee is satisfied that internal audit unit performed its activities in accordance with the approved internal audit risk-based plan for the financial year and Section 165 of the MFMA. Quarterly internal audit progress reports were reviewed and adopted in the committee meetings held during the financial year. Internal Audit reported to Audit, Risk and Performance Committee functionally to ensure its independence and objectivity on performance of its duties.

**GA-SEGONYANA LOCAL MUNICIPALITY AUDIT, RISK AND PERFORMANCE COMMITTEE
ANNUAL REPORT FOR THE PERIOD ENDING 30 JUNE 2020**

EFFECTIVENESS OF INTERNAL CONTROL

Audit, Risk and Performance Committee is of the view that internal control system is not entirely effective based on the independent evaluations conducted by internal audit during the year and reports evaluated by the committee during engagements meetings with management.

Audit, Risk and Performance Committee concurs with and accept the Auditor-General South Africa's Audit Report on the Annual Financial Statements and is of the opinion that the Audited Annual Financial Statements should be accepted and read together with the Report of the Auditor-General South Africa.



R. Tshimomola (MR)
Chairperson of the Audit, Risk and Performance Committee

31/10/2020
Date

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Position as at 30 June 2020

	Note(s)	2020 R	2019 Restated* R
Assets			
Current Assets			
Inventories	3	74 443 635	56 750 787
Receivables from non-exchange transactions	4	20 644 132	17 083 724
VAT	5	-	28 428 555
Receivables from exchange transactions	6	54 538 939	42 959 368
Conditional grants overspent	7	-	8 850 553
Cash and cash equivalents	8	59 270 087	551 057
		208 896 793	154 624 044
Non-Current Assets			
Investment property	9	20 548 841	28 100 000
Property, plant and equipment	10	1 443 786 809	1 325 344 165
Intangible assets	11	284 613	245 925
Heritage assets	12	1 655 642	1 655 642
		1 466 275 905	1 355 345 732
Total Assets		1 675 172 698	1 509 969 776
Liabilities			
Current Liabilities			
Other financial liabilities	13	2 103 672	1 940 092
Finance lease obligation	14	2 202 988	5 603 275
Payables from exchange transactions	15	60 835 337	122 226 398
VAT payable	5	621 534	-
Consumer deposits	16	5 226 811	4 713 557
Employee benefit obligation	17	1 683 000	1 541 243
Unspent conditional grants and receipts	18	35 632 576	-
		108 305 918	136 024 565
Non-Current Liabilities			
Other financial liabilities	13	10 537 615	14 106 191
Finance lease obligation	14	1 404 317	1 935 960
Employee benefit obligation	17	28 111 000	31 242 446
Provisions	19	18 808 913	18 846 803
		58 861 845	66 131 400
Total Liabilities		167 167 763	202 155 965
Net Assets		1 508 004 935	1 307 813 811
Accumulated surplus		1 508 004 935	1 307 813 811

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
REVENUE			
Revenue from exchange transactions			
Sale of stands		2 549 515	2 272 073
Service charges	21	158 496 147	138 849 160
Rental of facilities	22	2 351 079	1 647 558
Interest on outstanding receivables		7 611 742	6 189 421
Licences and permits		3 235 544	2 748 788
Other revenue	23	3 675 716	4 231 923
Interest on investments	24	3 707 754	2 835 635
Total revenue from exchange transactions		181 627 497	158 774 558
Revenue from non-exchange transactions			
Taxation revenue			
Property rates	25	45 094 777	43 409 469
Transfer revenue			
Grants and subsidies realised	26	387 867 686	310 089 659
Fines, penalties and forfeits		4 845 325	1 756 338
Total revenue from non-exchange transactions		437 807 788	355 255 466
Total revenue	20	619 435 285	514 030 024
EXPENDITURE			
Employee related costs	27	(130 928 705)	(124 905 613)
Remuneration of councillors	28	(9 860 821)	(9 814 878)
Depreciation and amortisation	29	(60 575 360)	(62 879 091)
Finance costs	31	(9 476 659)	(18 253 424)
Debtors impairment	32	(19 352 331)	(31 124 982)
Bad debts written-off	33	(694 809)	(46 047 804)
Bulk purchases	34	(113 208 832)	(102 938 964)
General expenses	35	(92 421 050)	(110 002 331)
Total expenditure		(436 518 567)	(505 967 087)
Operating surplus		182 916 718	8 062 937
Loss/(Gain) on disposal of assets		(4 762 733)	5 364 181
Fair value adjustments	51	136 000	1 624 100
Actuarial gains/(losses)	17	6 552 491	(6 556 879)
Gain (loss) on biological assets and agricultural produce		129 187	(5 736 407)
		2 054 945	(5 305 005)
SURPLUS FOR THE YEAR		184 971 663	2 757 932

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Changes in Net Assets

	Accumulated surplus R	Total net assets R
Balance at 01 July 2018	1 305 055 879	1 305 055 879
Changes in net assets		
Surplus for the year ended 30 June 2019	2 757 932	2 757 932
Total changes	2 757 932	2 757 932
Opening balance as previously reported	1 316 070 630	1 316 070 630
Adjustments		
Prior year adjustments	6 962 642	6 962 642
Restated* Balance at 01 July 2019 as restated*	1 323 033 272	1 323 033 272
Changes in net assets		
Surplus for the year ended 30 June 2020	184 971 663	184 971 663
Total changes	184 971 663	184 971 663
Balance at 30 June 2020	1 508 004 935	1 508 004 935
Note(s)		

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Cash Flow Statement

	Note(s)	2020 R	2019 Restated* R
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Sale of goods and services		154 629 050	139 210 694
Grants		386 342 000	310 033 357
Interest on investments		3 707 754	2 835 635
		<u>544 678 804</u>	<u>452 079 686</u>
Payments			
Employee costs		(138 540 511)	(135 465 032)
Suppliers		(196 543 488)	(193 853 985)
Finance costs		(6 322 174)	(15 633 190)
		<u>(341 406 173)</u>	<u>(344 952 207)</u>
Net cash flows from operating activities	36	<u>203 272 631</u>	<u>107 127 479</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	(134 560 007)	(103 222 961)
Purchase of intangible assets	11	(244 717)	(73 749)
Proceeds from sale of intangible assets	11	-	8 562
Proceeds from sale of biological assets that form part of an agricultural activity		129 187	(5 736 407)
		<u>(134 675 537)</u>	<u>(109 024 555)</u>
Net cash flows from investing activities		<u>(134 675 537)</u>	<u>(109 024 555)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in other financial liabilities		(3 404 996)	(4 563 591)
Finance lease payments		(6 473 068)	(4 676 464)
		<u>(9 878 064)</u>	<u>(9 240 055)</u>
Net cash flows from financing activities		<u>(9 878 064)</u>	<u>(9 240 055)</u>
Net increase/(decrease) in cash and cash equivalents		58 719 030	(11 137 131)
Cash and cash equivalents at the beginning of the year		551 057	11 688 188
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	8	<u>59 270 087</u>	<u>551 057</u>

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Budget on Actual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
STATEMENT OF FINANCIAL PERFORMANCE						
REVENUE						
Revenue from exchange transactions						
Sale of stands	2 000 000	6 000 000	8 000 000	2 549 515	(5 450 485)	1
Service charges	151 480 353	10 000 000	161 480 353	158 496 147	(2 984 206)	2
Rental of facilities	1 763 900	21 100	1 785 000	2 351 079	566 079	3
Interest on outstanding receivables	7 000 000	-	7 000 000	7 611 742	611 742	
Licences and permits	1 926 823	805 720	2 732 543	3 235 544	503 001	
Other revenue	27 078 232	(24 835 232)	2 243 000	3 675 716	1 432 716	4
Interest on investments	3 200 000	-	3 200 000	3 707 754	507 754	5
Total revenue from exchange transactions	194 449 308	(8 008 412)	186 440 896	181 627 497	(4 813 399)	
Revenue from non-exchange transactions						
Property rates	47 524 764	-	47 524 764	45 094 777	(2 429 987)	
Grants and subsidies realised	353 162 999	41 685 451	394 848 450	387 867 686	(6 980 764)	7
Fines, Penalties and Forfeits	4 202 306	(1 195 000)	3 007 306	4 845 325	1 838 019	8
Total revenue from non-exchange transactions	404 890 069	40 490 451	445 380 520	437 807 788	(7 572 732)	
Total revenue	599 339 377	32 482 039	631 821 416	619 435 285	(12 386 131)	
EXPENDITURE						
Employee related costs	(144 825 669)	10 912 779	(133 912 890)	(130 928 705)	2 984 185	
Remuneration of councillors	(9 042 055)	(925 933)	(9 967 988)	(9 860 821)	107 167	
Depreciation and amortisation	(40 952 708)	-	(40 952 708)	(60 575 360)	(19 622 652)	9
Finance costs	(5 987 100)	200 100	(5 787 000)	(9 476 659)	(3 689 659)	11
Debt Impairment	(1 025 000)	(22 377 000)	(23 402 000)	(19 352 331)	4 049 669	12
Bad debts written-off	-	-	-	(694 809)	(694 809)	13
Bulk purchases	(111 300 457)	-	(111 300 457)	(113 208 832)	(1 908 375)	
General expenses	(104 901 381)	(11 339 608)	(116 240 989)	(92 421 050)	23 819 939	14
Total expenditure	(418 034 370)	(23 529 662)	(441 564 032)	(436 518 567)	5 045 465	
Operating surplus	181 305 007	8 952 377	190 257 384	182 916 718	865 696 468	
Gain/(Loss) on disposal of assets	-	-	-	(4 762 733)	(4 762 733)	15
Fair value adjustments	-	-	-	136 000	136 000	16
Actuarial gains/losses	-	-	-	6 552 491	6 552 491	17
Gain on biological assets and agricultural produce	-	-	-	129 187	129 187	
	-	-	-	2 054 945	2 054 945	
SURPLUS FOR THE YEAR	181 305 007	8 952 377	190 257 384	184 971 663	(5 285 721)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	
Statement of Financial Position						
Assets						
Current Assets						
Inventories	45 733 941	3 605 546	49 339 487	74 443 635	25 104 148	18
Receivables from non-exchange transactions	-	37 134 243	37 134 243	20 644 132	(16 490 111)	19
Receivables from exchange transactions	48 368 749	10 486 424	58 855 173	54 538 939	(4 316 234)	20
VAT	12 892 401	14 513 490	27 405 891	(621 534)	(28 027 425)	21
Cash and cash equivalents	3 597 640	43 143 835	46 741 475	59 270 087	12 528 612	22
	110 592 731	108 883 538	219 476 269	208 275 259	(11 201 010)	
Non-Current Assets						
Investment property	6 756 100	26 735 200	33 491 300	20 548 841	(12 942 459)	
Property, plant and equipment	1 437 597 539	61 320 743	1 498 918 282	1 443 786 809	(55 131 473)	23
Intangible assets	803 105	(557 180)	245 925	284 613	38 688	24
Heritage assets	1 655 642	-	1 655 642	1 655 642	-	
	1 446 812 386	87 498 763	1 534 311 149	1 466 275 905	(68 035 244)	
Total Assets	1 557 405 117	196 382 301	1 753 787 418	1 674 551 164	(79 236 254)	
Liabilities						
Current Liabilities						
Other financial liabilities	11 002 194	(7 502 194)	3 500 000	2 103 672	(1 396 328)	25
Finance lease obligation	-	4 043 367	4 043 367	2 202 988	(1 840 379)	26
Payables from exchange transactions	75 400 773	47 166 628	122 567 401	54 896 561	(67 670 840)	27
Consumer deposits	5 334 319	(620 762)	4 713 557	5 226 811	513 254	
Employee benefit obligation	1 618 925	-	1 618 925	1 683 000	64 075	
Unspent conditional grants and receipts	-	-	-	35 632 576	35 632 576	28
	93 356 211	43 087 039	136 443 250	101 745 608	(34 697 642)	
Non-Current Liabilities						
Other financial liabilities	15 060 739	(2 560 739)	12 500 000	10 537 615	(1 962 385)	25
Finance lease obligation	-	2 560 739	2 560 739	1 404 317	(1 156 422)	26
Employee benefit obligation	-	29 623 521	29 623 521	28 111 000	(1 512 521)	
Provisions	-	18 846 803	18 846 803	18 808 913	(37 890)	
	15 060 739	48 470 324	63 531 063	58 861 845	(4 669 218)	
Total Liabilities	108 416 950	91 557 363	199 974 313	160 607 453	(39 366 860)	
Net Assets	1 448 988 167	104 824 938	1 553 813 105	1 513 943 711	(39 869 394)	
Net Assets						
Reserves						
Accumulated surplus	1 448 988 167	104 824 938	1 553 813 105	1 516 092 269	(37 720 836)	

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

Sale of stands

1) The revenue on sale of stands is lower than the budget due to properties sold but not yet registered with the deeds office. Such properties are still recognised as payable.

Service charges

2). The variance is due to budget increase as there was new development which the Municipality was anticipating to bill in the current year. However the development was not finalised as anticipated and no billing was done on such properties..

Rental Facilities

3) Rental facilities is higher than budgeted due to additional billing on Mothibistad and Caravan Park lease which was not budgeted for.

4) Other Revenue

Actual revenue is more than the budgeted amount due to Employee Expected benefits vesting that was not budgeted for. It is a year-end entry

Interest on Investments

5) Actual revenue was higher than the budget due to high bank balance as the spending was affected by the lockdown. This has resulted in higher interest being accrued.

Public contributions and donations

6) There was an increase in donations from mines for repairs and maintenance of road infrastructure as well as Bulk donations and street lights. The amount was not budgeted as it was a donation.

Grants and Subsidies

7) Grants and subsidies revenue is lesser than budgeted due to under spending affected by lockdown to curb Covid-19. There was an increase in transfers and subsidies (in-kind) from mines for repairs and maintenance of road infrastructure as well as Bulk donations and street lights. The amount was not budgeted as it was a donation.

Fines and Penalties

8) Traffic department exceeded the the targets set in terms of tickets issued. High targets were set for traffic officers in an effort to increase the revenue on traffic.

Depreciation and amortisation

9) Depreciation increased due to increase in assets in the current year as well as inter movement of assets between different categories during the year which leads to increase in depreciation which was not provided for in the budget.

Impairment loss

10) Impairment loss on assets as a result of verification was not anticipated therefore no budget was allocated to it

Finance costs

11) Finance costs is high on actual compared to budgeted due to interest accrued on employee benefits that was not budgeted for.

12) Debt Impairment

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis R	Difference between final budget and actual R	Reference
	R	R	R	R	R	

Debt impairment was not budgeted for.

13) Bad Debts write off

The council approved lesser bad debts than budgeted. The assessment results resulted in lesser bad debts written off.

General Expenditure

14) General expenditure is lower than the budget due to lockdown implemented by government to curb covid-19. This resulted in lesser spending in the 2019-20 financial year

Gains/(loss) on disposal of assets

15) Gains/(loss) on disposal of assets was not budgeted for.

Fair value adjustment

16) Bulk purchases increased due to increase in price for both water and electricity (NERSA Tariff increases).

Fair value adjustment was not budgeted for.

Actuarial gains/(losses)

17) Actuarial gains or losses were not budgeted for.

Inventory

18) Inventory increased due to reclassification of land underinvestment property to inventory as well as donations from mines which were not budgeted for.

Receivables from non-exchange transactions

19) Receivables from non-exchange transactions is lesser than the budget due to traffic fines issued not yet accrued.

Receivables from exchange transactions

20) Receivables from exchange transactions increased due to impairment on debtors not yet calculated in the current year and it is anticipated to increase due to increase in debtors.

VAT

21) VAT receivable is lower than the budget as the municipality was refunded and most of the outstanding returns as at year end.

Cash and cash equivalents

22) The cash and cash equivalents of the municipality increased due to under spending as a result of lockdown to curb covid-19

Property, plant and equipment

23) Property, plant and equipment increased due to additional assets bought or constructed in the current year as projects are completed as well as public contributions on capital projects which was not budgeted for.

Intangible assets

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
	R	R	R	R	R	

24) Intangible assets are lower than the budget due amortisation not taken into account on the budget.

Other Financial liabilities

25) This balance is composed of loans from DBSA and the municipality managed to repay part of the loan in the 2019/20 financial year.

Finance Leases

26) Payments were made on time as per the contract (payments made on time) which resulted in liability at year end being lesser than provided for in the budget.

Payables from exchange transactions

27) Management improved in settling outstanding debts to its suppliers.

Unspent Conditional grants and receipts

28) The municipality was anticipating to fully spend the conditional grants received. However due to lockdown caused by covid -19 the municipality did not manage to fully spent the grants received.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1. Presentation of Annual Financial Statements

The Annual Financial Statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses were not offset, except where offsetting is either required or permitted by a Standard of GRAP.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these Annual Financial Statements, are disclosed below.

1.1 Presentation currency

These Annual Financial Statements are presented in South African Rand, which is the functional currency of the municipality. All figures are rounded off to the nearest Rand.

1.2 Going concern assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant judgements and sources of estimation uncertainty

In preparing the Annual Financial Statements, management is required to make estimates and assumptions that affect the amounts represented in the Annual Financial Statements and related disclosures. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the Annual Financial Statements. Significant judgements include:

1.3.1 Trade receivables and allowance for doubtful debts

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. On debtors, an impairment loss is recognised in surplus and deficit when there is objective evidence that the debtors are impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.3.2 Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value. Management have made estimates of the selling price and direct cost to sell on certain inventory items. The write down is included in the operation surplus note.

1.3.3 Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The municipality uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.4 Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumptions may change which may then impact our estimations and may then require a material adjustment to the carrying value of tangible assets.

The entity reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply demand and interest.

1.3.5 Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in the notes to the Annual Financial Statements.

Provisions are recognised when the municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the obligation.

The best estimate of the expenditure required to settle the present obligation is the amount that the municipality would rationally pay to settle the obligation at the reporting date or to transfer it to a third party at that time and are determined by the judgment of the municipality, supplemented by experience of similar transactions and, in some, cases, reports from independent experts. The evidence considered includes any additional evidence provided by events after the reporting date. Uncertainties surrounding the amount to be recognised as a provision are dealt with by various means according to the circumstances. Where the provision being measured involves a large population of items the obligation is estimated by weighting all possible outcomes by their associated probabilities.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision. An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. This unavoidable cost resulting from the contract is the amount of the provision to be recognised.

Provisions are reviewed at reporting date and the amount of a provision is the present value of the expenditure expected to be required to settle the obligation. When the effect of discounting is material, provisions are determined by discounting the expected future cash flows that reflect current market assessments of the time value of money. The impact of the periodic unwinding of the discount is recognised in the Statement of Financial Performance as a finance cost as it occurs.

1.3.6 Useful lives of assets

The municipality's management determines the estimated useful lives and related depreciation charges for assets. This estimate is based on public sector industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

The estimation of residual values of assets is based on management's judgment as to whether the assets will be sold or used at the end of their useful lives, and in what condition they will be at that time.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

1.3.7 Post retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Other key assumptions for pension obligations are based on current market conditions. Additional information is disclosed in the Notes to the Annual Financial Statements.

The municipality obtains actuarial valuations of its Defined Benefit Plan Liabilities. The defined benefit obligations of the municipality that were identified are Post-retirement Health Benefit Obligations and Long-service Awards. The estimated liabilities are recorded in accordance with the requirements of GRAP 25. Details of the liabilities and the key assumptions made by the actuaries in estimating the liabilities are provided in the relevant Notes to the Annual Financial Statements.

1.3.8 Effective interest rate

Where interest rates are not specified in the transactions handled by the municipality, particularly with respect to finance leases the municipality used the prime interest rate to discount future cash flows.

1.3.9 Allowance for doubtful debts

Timing of Assessment

The Municipality will assess at the end of each reporting date whether there is objective evidence that a receivable account or group of receivable accounts is impaired.

Evidence of Impairment

The following accounts are specifically excluded from impairment testing:

- Receivable accounts with a combined credit balance at reporting date;
- Receivable accounts where the combined balance at reporting date is zero;
- Receivable accounts where the Municipality is the owner; and
- Receivable accounts that have no balance outstanding longer than 30 days at reporting date as these accounts are considered not to be past due.

Any one of the following events is considered to provide objective evidence that a receivable account or group of receivable accounts could be impaired.

- A receivables that have been placed under or applied for liquidation or sequestration;
- Where the last payment date by the customer was before 15th May of each year;
- Accounts handed over to debt collectors and/or power of attorney;
- All accounts indicated as in-active accounts on the system;
- When a formal arrangement is made on arrears debt;
- When accounts have been formally presented to Council for write off; and
- All accounts with balances outstanding 31 days and longer as these accounts are considered to be past due

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Calculation and Recognition of Impairment Loss

The impairment loss is calculated as the difference between the carrying value at reporting date less the present value of expected future cash flows.

Individually Significant Receivables

Consumer receivables with a total balance outstanding at reporting date over R150 000 is considered material and will be assessed individually for evidence of impairment.

For sundry receivables management will assess on an annual basis which accounts are considered to be individually material. These accounts will be assessed individually for evidence of impairment.

Risk Categories

All receivables are categorised into one of three risk categories. These categories are:

- High risk category;
- Medium risk category; and
- Low risk category.

The allocation of receivables into the different risk categories are reviewed annually.

Consumer receivables

The following receivables are specifically identified as being high risk due to their nature:

- Approved indigents;
- Tenant accounts; and
- Non-active accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Government receivables, excluding government schools

The following receivables are specifically identified as being medium risk receivables due to their nature and past payment history:

- All accounts with prepaid electricity meters; and
- Government school receivables

The remainder of the consumer receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

Ga Segonyana Local Municipality

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Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

High Risk	Medium Risk	Low Risk
Approved indigents	Remainder of consumer receivable accounts	Government receivables, excluding schools
Tenant accounts	Remainder of consumer receivable accounts	Government receivables, excluding schools
Non-active accounts	Remainder of consumer receivable accounts	Government receivables, excluding schools

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Sundry receivables

The following receivables are specifically identified as being high risk due to their nature and past payment history:

- Motor vehicle accidents;
- Library books;
- Bursary costs/Study assistance;
- Closed accounts;
- Marked to be written off; and
- Handed over accounts

The following receivables are specifically identified as being low risk receivables due to their nature and past payment history:

- Main service contributions; and
- Relocation costs;

The following receivables are individually assessed

- Medical aid

The remainder of the sundry receivables are classified as medium risk receivables.

All other receivables are divided into the three risk categories based on management's knowledge of these receivables.

Summary of risk groups for consumer receivables

High Risk	Medium Risk	Low Risk
Motor vehicle accidents	Remainder of consumer receivable accounts	Main service contributions
Library books	Remainder of consumer receivable accounts	Main service contributions
Bursary costs	Remainder of consumer receivable accounts	Reallocation costs
Closed accounts	Remainder of consumer receivable accounts	Reallocation costs
Marked to be written off	Remainder of consumer receivable accounts	Reallocation costs
Non-active accounts	Remainder of consumer receivable accounts	Reallocation costs

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Discount Rate

The discount rate is set as the yield of the R157 South African government bond as at the reporting date. The actual yield on the R157 bond is sourced from the RMB Global Markets website at reporting date

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

The risk free rate is adjusted with a premium per risk category. The following is taken into account in determining the premium:

- The economic conditions of the population in the municipal district;
- History of bad debts written off;
- Effectiveness of the debt collection processes;
- The vast rural area that the municipality covers and the rural population have high social problems;
- High unemployment rate in the municipal district.

Based on the above risk factors identified the risk free rate is adjusted with the following premium

Risk category	Premium adjustment
High risk	1.25%
Medium risk	0.75%
Low risk	0.25%

The risk factors and premium adjustment to the risk free rate are reviewed annually by management

Expected Repayment Term

The total income from consumers for the reporting period include:

- Property tax;
- Refuse;
- Sewerage;
- Water;
- Electricity;
- Interest; and
- Less income foregone

Expected Future Cash Flows

The expected future cash flows are based on management's past experiences with the different receivable groups.

The expected future cash flows can be summarised as follows:

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.3 Significant judgements and sources of estimation uncertainty (continued)

Group	Expected future cash flow
Accounts with no payment received in the last six months	No payment expected
Indigent receivables	Accounts marked as indigent do not expect any re-payment and is therefore included at 100% in the allowance calculation
Inactive accounts	No payment expected
Accounts marked as bad debts	No payment expected
Accounts with balances only in current, 30 days and/or 60 days	Fully recoverable
High risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk consumer receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
High risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Medium risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)
Low risk sundry receivables	Will be determined using the following: -Geographical area -Category (Business, household, etc) -Payment history -Any other factors applicable (e.g. debtors handed over)

All payments received in July after the reporting date are added to the above calculated expected further cash flows before impairment is calculated

Present Value of Expected Future Cash Flows

The future expected cash flows will be discounted using the present value (PV) formula.

1.4 Investment property

1.4.1 Initial Recognition

Investment property is property (land or buildings) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services, or
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services, or for administrative purposes.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

1.4.2 Subsequent Measurement

Subsequent to initial measurement investment property is measured at fair value in line with the asset management policy of the municipality on the municipal property rates Act cycle.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

The nature or type of properties classified as held for strategic purposes are as follows:

1.4.3 Derecognition

Investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Gains or losses arising from the retirement or disposal of investment property is the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in surplus or deficit in the period of retirement or disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land		Infinity
Furniture and fixtures	Straight line	3-15 years
Infrastructure		
- Sewer pump station	Straight line	15-60 years
- Solid waste disposal	Straight line	3-9 years
- Electricity network	Straight line	3-20 years
- LV network	Straight line	10-50 years
- Distribution network	Straight line	2- 30 years
- Bridges	Straight line	30-80 years
- Bulk supply	Straight line	50-100 years
- MV network	Straight line	15-60 years
- Road structures	Straight line	5-55 years
- Airport structures	Straight line	20-60 years
- Collection and reticulation network	Straight line	50 years
- Borehole	Straight line	3-100 years
- Distribution reticulation network	Straight line	5-60 years
- Storage	Straight line	10-15 years
- Stormwater	Straight line	10-60 years
- Road traffic management	Straight line	10-40 years
- Waste water treatment	Straight line	15-60 years
- Water network	Straight line	20 years
- Water pipes	Straight line	20 years
- Water pump	Straight line	5-100 years
- Water storage	Straight line	3-20 years
Community Assets		
- Buildings	Straight line	100 years
Other property, plant and equipment		
- Furniture and equipment	Straight line	5-10 years
- Motor vehicles	Straight line	5-15 years
- Office equipment	Straight line	3-10 years
- Plant equipment	Straight line	4-15 years
- Computer equipment	Straight line	1-5 years
Landfill site	Straight line	17 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life, residual value and depreciation method of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.5 Property, plant and equipment (continued)

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

1.6 Site restoration and dismantling cost

The entity has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the entity considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
 - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
 - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

1.7 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the entity; and
- the cost or fair value of the asset can be measured reliably.

The entity assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.7 Intangible assets (continued)

Item	Amortisation method	Average useful life
Computer software	Straight line	3 to 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of an intangible assets is included in surplus or deficit when the asset is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Heritage assets

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in a municipality's operations that is shown as a single item for the purpose of disclosure in the Annual Financial Statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

1.8.1 Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

1.8.2 Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

1.8.3 Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost.

1.8.4 Impairment

The entity assess its heritage assets at each reporting date to determine whether there is an indication of impairment. If any such indication exists, the entity estimates the recoverable amount or the recoverable service amount of the heritage asset.

1.9 Financial instruments

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the company can access at measurement date

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Accounting Policies

1.9 Financial instruments (continued)

Level 3: Unobservable inputs for the asset or liability.

1.9.11 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at cost.

1.10 Tax

VAT

The municipality pays Value Added Tax (VAT) to South African Revenue Service on a payment basis in accordance with section 15(2)(a) of the Value-Added Tax Act (Act No 89 of 1991), however the municipality accounts for VAT on an accrual basis.

1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the municipality assesses the classification of each element separately.

1.11.1 Finance leases - lessee

Initial recognition

Finance leases are recognised as assets and liabilities in the Statement of Financial Position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Statement of Financial Position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Subsequent measurement

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

1.12 Inventories

1.12.1 Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition

1.12.2 Subsequent measurement

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the entity incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

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1.12 Inventories (continued)

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the entity.

1.12.3 Derecognition

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.13 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

[Specify judgements made]

1.13.1 Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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1.13 Impairment of cash-generating assets (continued)

1.13.2 Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the entity estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the entity applies the appropriate discount rate to those future cash flows.

1.13.3 Basis for estimates of future cash flows

In measuring value in use the entity:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

1.13.4 Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the entity expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

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1.14 Impairment of non-cash-generating assets (continued)

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the entity; or
- the number of production or similar units expected to be obtained from the asset by the entity.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.14.1 Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The entity assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the entity estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also tests a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

Ga Segonyana Local Municipality

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Accounting Policies

1.14 Impairment of non-cash-generating assets (continued)

1.14.2 Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

1.14.3 Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the entity would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

1.14.4 Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

1.14.5 Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.14.6 Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the entity recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

1.15 Employee benefits

Employee benefits are all forms of consideration given by a municipality in exchange for service rendered by employees.

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Accounting Policies

1.15 Employee benefits (continued)

1.15.1 Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The municipality measures the expected cost of accumulating compensated absences as the additional amount that the municipality expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The municipality recognises the expected cost of bonus, incentive and performance related payments when the municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the municipality has no realistic alternative but to make the payments.

1.15.2 Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which a municipality pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the municipality during a reporting period, the municipality recognises the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, a municipality recognises that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

1.16 Provisions and contingencies

1.16.1 Initial Recognition

Provisions are recognised when:

- the entity has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate reflects current market assessments of the time value of money and the risks specific to the liability.

1.16.2 Subsequent measurement

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

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1.16 Provisions and contingencies (continued)

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed by way of a note.

1.17 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

The municipality's main sources of revenue from exchange transactions income include service charges, rental of facilities, sale of stands, licences and permits and interest income.

1.17.1 Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

1.17.2 Sale of goods (stands and licences and permits)

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

1.17.3 Rendering of services

Rendering of services includes the following service charges: refuse removal, electricity, water and sewerage. When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity;

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

The municipality recognises prepaid electricity revenue on a prepaid basis as it is difficult for the municipality to determine the amount consumed as at year end for prepaid meters.

1.17.4 Interest

Interest revenue is recognised on a time proportion basis.

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Accounting Policies

1.18 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an entity, which represents an increase in net assets, other than increases relating to contributions from owners.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

The municipality's main source of revenue from non-exchange transactions income include property rates, government grants and subsidies, public contributions, donations, fines and penalties.

1.18.1 Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the entity satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

1.18.2 Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the entity.

When, as a result of a non-exchange transaction, the entity recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.18.3 Property Rates

The entity recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

Resources arising from taxes satisfy the definition of an asset when the entity controls the resources as a result of a past event (the taxable event) and expects to receive future economic benefits or service potential from those resources. Resources arising from taxes satisfy the criteria for recognition as an asset when it is probable that the inflow of resources will occur and their fair value can be reliably measured. The degree of probability attached to the inflow of resources is determined on the basis of evidence available at the time of initial recognition, which includes, but is not limited to, disclosure of the taxable event by the taxpayer.

1.18.4 Government grants, Public contributions and donations

Transfer revenue include government grants, subsidies, public contributions, donations, fines, penalties and forfeits. Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes. Apart from services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

The entity recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

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Accounting Policies

1.18 Revenue from non-exchange transactions (continued)

1.18.5 Fines

Fines are economic benefits or service potential received or receivable by municipality, as determined by a court of other law enforcement body, as a consequence of the breach of laws or regulations. Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the entity.

Where the entity collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

1.18.6 Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

1.19 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.20 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.21 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the Statement of Financial Performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Irregular expenditure

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Ga Segonyana Local Municipality

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Accounting Policies

1.23 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programmed/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

1.24 Budget information

Municipality is subject to budgetary limits in the form of an approved and an adjustment budget which is given effect through council.

General purpose financial reporting by the Municipality provides information on whether resources were obtained and used in accordance with the approved budget.

The approved budget is prepared on an accrual basis and presented by nature linked to performance outcome objectives.

The approved budget covers the fiscal period from 2019/07/01 to 2020/06/30.

The annual financial statements and the approved budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

Comparative information is not required.

Material differences between the original budget and final budget as well as between the final budget and the actual are explained in the Annual Financial Statements. Deviations are regarded as material when they are greater than or equal to 10%. Deviations between approved budget and final budgets well as deviations between final budget and actual, are regarded as material differences

1.25 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the Annual Financial Statements are authorised for issue. Two types of events can be identified:

-those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date)
-those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date). There were no significant post balance sheet events that affected the Interim Financial Statements as at 30 June 2020.

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets.

An expense is recognised in the municipality's Statement of Financial Performance when, and only when, the following criteria are satisfied:

- The cost or value may involve estimation. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note; and
- All expenditure has been dealt with in terms of the above definition and recognition criteria.

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Accounting Policies

1.26 Expenditure (continued)

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) is allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Write downs of inventory and decreases in fair values of financial instruments classified as held at fair value.
- Losses on the disposal of non-current assets are reported separately from expenses in the Statement of Financial Performance.
- Repairs and maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Bulk purchases - expenditure on the procurement of bulk electricity;
- Contracted services – included are debt collection costs, data cleansing costs, service level agreement costs, property valuation roll and asset register verification costs, software support costs and security services costs.
- Transfers and grants which relate to expenditure pertaining to free basic services; and
- General expenses which constitute several expense items which are not individually significant.
- Employee cost - relating to cost associated with employee contracts.
- Depreciation - Cost associated with the amortisation of property, plant and equipment..

1.27 Fines provision methodology

1) Obtain issued fines (Unadjusted issued fines) for the past 3 to 5 years.

a) Adjust the fines by the below adjustments:

b) Reduce the fines by the amount of fines withdrawn/cancelled.

c) Also reduce the fines by amounts reduced.

2) Increase the fines by amounts increased for unpaid fines.

3) Obtain the final total of amounts of a) to c) above.

4) Adjust the issued fines by a) to c) above to get final collectible issued fines.

5) Calculate the percentage discount rate of collectible issued fines as a percentage of unadjusted issued fines in 1) above

6) Calculate average discount rate for the number of years the data was obtained e.g. if 3 years, calculate average over 3 years and if 5 years calculate average over 5 years.

7) The provision is calculated as follows:

Gross fines debtors x average discount rate in 5) above.

Notes to the Annual Financial Statements

	2020 R	2019 R

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Notes to the Annual Financial Statements

2. New standards and interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality's has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 20: Related parties	01 April 2019	The impact of the is not material.
• GRAP 108: Statutory Receivables	01 April 2019	The impact of the is not material.
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	The adoption of this has not had a material impact on the results of the company, but has resulted in more disclosure than would have previously been provided in the financial statements

2.2 Standards and interpretations issued, but not yet effective

The municipality as not applied the following standards and interpretations, which have been published and are mandatory for the municipality's's accounting periods beginning on or after 01 July 2020 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2020	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact

3. Inventories

Other inventories held for sale (land)	71 221 183	54 012 782
Consumable stores	3 194 881	3 539 531
Water	48 562	39 157
	<hr/>	<hr/>
	74 464 626	57 591 470
Inventories (write-downs)	(20 991)	(840 683)
	<hr/>	<hr/>
	74 443 635	56 750 787

4. Receivables from non-exchange transactions

Fines	6 852 337	2 666 935
Other receivables from non-exchange revenue	-	72 593
Consumer debtors - Rates	13 791 795	14 344 196
	<hr/>	<hr/>
	20 644 132	17 083 724

Included in receivables from non-exchange transactions are balances owing from property rates as follows:

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Notes to the Annual Financial Statements

	2020 R	2019 R
4. Receivables from non-exchange transactions (continued)		
Current (0 - 30 days)	215 169	619 096
31 - 60 days	892 961	624 337
61 - 90 days	730 463	375 483
91 - 120 days	645 159	427 120
121 - 365 days	3 626 135	2 260 541
> 365 days	23 895 902	19 929 548
	30 005 789	24 236 125
Less: Allowance for impairment	(16 213 994)	(9 891 929)
Net balance	13 791 795	14 344 196
Fines		
Gross fines	7 174 071	2 988 669
Impairment	(531 696)	(321 734)
	6 642 375	2 666 935
Credit quality of receivables from non-exchange transactions		
The credit quality of receivables from non-exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.		
Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.		
Receivables from non-exchange transactions past due but not impaired		
The ageing of amounts past due but not impaired is as follows:		
1 month past due	215 169	619 096
2 months past due	892 861	624 337
3 months past due	730 463	375 483
5. Value Added Tax		
VAT	(621 534)	28 428 555
Amounts outstanding from SARS at year end	6 919 762	5 338 758
VAT on accrual basis	(7 541 296)	23 089 797
	(621 534)	28 428 555

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Receivables from exchange transactions		
Gross balances		
Electricity	20 104 913	12 579 540
Water	10 300 837	8 959 363
Sewerage	19 075 354	13 310 811
Refuse	11 857 590	8 867 431
Sundry debtors	33 546 168	26 767 842
	94 884 862	70 484 987
Less: Allowance for impairment		
Less: Allowance for impairment	(40 345 923)	(27 525 619)
	54 538 939	42 959 368

Sundry debtors includes interest on overdue service charges accounts.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
6. Receivables from exchange transactions (continued)		
Electricity		
Current (0 -30 days)	1 526 725	5 203 156
31 - 60 days	1 707 038	1 399 220
61 - 90 days	1 473 218	945 560
91 - 120 days	1 147 319	385 249
121 - 365 days	5 606 743	3 483 269
> 365 days	8 643 870	1 163 087
	20 104 913	12 579 541
Water		
Current (0 -30 days)	1 698 560	1 829 695
31 - 60 days	1 234 371	991 364
61 - 90 days	641 029	609 295
91 - 120 days	399 088	521 832
121 - 365 days	1 680 901	2 560 847
> 365 days	4 646 888	2 446 329
	10 300 837	8 959 362
Sewerage		
Current (0 -30 days)	1 410 146	1 106 866
31 - 60 days	1 327 565	751 659
61 - 90 days	1 072 169	607 700
91 - 120 days	890 479	573 316
121 - 365 days	3 682 825	3 422 943
> 365 days	10 692 170	6 848 327
	19 075 354	13 310 811
Refuse		
Current (0 -30 days)	608 683	790 136
31 - 60 days	375 310	508 711
61 - 90 days	320 254	426 971
91 - 120 days	248 412	393 928
121 - 365 days	1 283 238	2 314 274
> 365 days	9 021 693	4 433 411
	11 857 590	8 867 431
Other (specify)		
Current (0 -30 days)	44 432	20 971 681
31 - 60 days	730 591	36 280
61 - 90 days	50 450	55 376
91 - 120 days	65 246	52 011
121 - 365 days	160 783	333 581
> 365 days	32 494 666	5 318 913
	33 546 168	26 767 842
Reconciliation of allowance for impairment		
Balance at beginning of the year	(27 525 619)	(4 629 025)
Contributions to allowance	(12 820 304)	(22 896 594)
	(40 345 923)	(27 525 619)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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6. Receivables from exchange transactions (continued)

Credit quality of consumer debtors

The credit quality of receivables from exchange transactions that are past due but not impaired have been assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates.

Based on the assessment conducted by the municipality, the quality of these debtors is considered to be satisfactory.

Consumer debtors past due but not impaired

The ageing of amounts past due but not impaired is as follows:

1 month past due	9 041 568	6 395 996
2 months past due	4 874 875	394 088
3 months past due	3 557 120	4 158

7. Conditional grants overspent

INEP Grant	-	8 811 777
Water Services Infrastructure Grant	-	38 776
	-	8 850 553

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	33 030	6 050
Other cash and cash equivalents	59 237 057	545 007
	59 270 087	551 057

The entity had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2020	30 June 2019	30 June 2018	30 June 2020	30 June 2019	30 June 2018
FNB CHEQUE ACC - 62649722883	1 068 873	259 466	1 110 259	1 068 273	259 466	1 110 259
FNB CHEQUE ACC - 62652542632	(11 911)	161	128 643	84 744	161	128 643
FNB 7 DAY CALL ACC - 74690806392	40 035 293	156 699	4 795 448	40 035 293	156 699	4 795 448
FNB CALL ACCOUNT	18 048 747	128 681	5 647 788	18 048 747	128 681	5 647 788
Total	59 141 002	545 007	11 682 138	59 237 057	545 007	11 682 138

9. Investment property

	Cost / Valuation	Carrying value	Cost / Valuation	Carrying value
Investment property	20 548 841	20 548 841	28 100 000	28 100 000

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

9. Investment property (continued)

Reconciliation of investment property - 2020

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	28 100 000	11 608 841	(19 296 000)	136 000	20 548 841

Reconciliation of investment property - 2019

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	12 067 200	19 800 000	(5 391 300)	1 624 100	28 100 000

A register containing the information required by Section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality..

Details of valuation

Investment property is reviewed by a professional valuer once every 4 years in line with the statutory requirements of the Municipal Property Rates Act (Chapter 6 of 2004). The last external valuation was done by an independent professional valuer on 1 July 2018. The valuation which conforms to international valuation standards is arrived at by reference to market evidence of transaction prices for similar properties.

The revaluation of investment property was performed by TT Property Consultants (BENJAMIN NARE MAKGAKGA PROFESSIONAL ASSOCIATED VALUER -Pr.No.6996/0).

During the year the Municipality transferred property from land to investment property. The SMME village was classified under land and currently the property is under lease. This resulted in fair value adjustment recognised in the income statement..

Amounts recognised in surplus or deficit

Rental revenue from Investment property	2 981 070	1 214 927
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From Investment property that generated rental revenue

Repairs and maintenance	-	478 625
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10. Property, plant and equipment

	2020			2019		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	19 458 100	-	19 458 100	19 962 100	-	19 962 100
Buildings	152 595 115	(53 903 594)	98 691 521	146 308 061	(50 858 214)	95 449 847
Plant and machinery	3 697 661	(2 400 271)	1 297 390	3 595 310	(2 283 209)	1 312 101
Furniture and fixtures	5 676 444	(4 479 043)	1 197 401	5 402 128	(4 327 208)	1 074 920
Motor vehicles	23 960 006	(18 237 798)	5 722 208	20 340 111	(13 781 685)	6 558 426
Office equipment	12 474 390	(7 692 368)	4 782 022	13 142 039	(9 842 537)	3 299 502
Infrastructure	2 035 155 189	(722 524 101)	1 312 631 088	1 873 112 255	(675 436 227)	1 197 676 028
Emergency equipment	55 890	(48 811)	7 079	63 279	(52 038)	11 241
Total	2 253 072 795	(809 285 986)	1 443 786 809	2 081 925 283	(756 581 118)	1 325 344 165

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

10. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2020

	Opening balance	Additions	Disposals	Transfers	Depreciation	Impairment loss/reversal	Total
Land	19 962 100	-	-	(504 000)	-	-	19 458 100
Buildings	85 495 297	16 241 604	-	-	(3 045 380)	-	98 691 521
Plant and machinery	1 312 101	378 109	(129 324)	-	(259 439)	(4 057)	1 297 390
Furniture and fixtures	1 074 920	480 545	(28 270)	-	(357 264)	27 470	1 197 401
Motor vehicles	6 584 312	3 621 395	(26 227)	-	(4 464 142)	6 870	5 722 208
Office equipment	3 299 502	3 303 884	(136 888)	-	(1 782 571)	98 095	4 782 022
Infrastructure	1 101 544 449	266 213 277	(4 644 185)	-	(50 482 453)	-	1 312 631 088
Emergency equipment	11 241	-	(609)	-	(4 363)	810	7 079
	1 219 283 922	290 238 814	(4 965 503)	(504 000)	(60 395 612)	129 188	1 443 786 809

Reconciliation of property, plant and equipment - 2019

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Impairment reversal	Total
Land	19 962 100	-	-	-	-	-	19 962 100
Buildings	88 965 927	9 954 550	(29 187)	(3 263 491)	(178 444)	492	95 449 847
Plant and machinery	1 571 534	49 436	(53 119)	(255 750)	-	-	1 312 101
Furniture and fixtures	1 359 265	137 093	(45 027)	(317 653)	(63 296)	4 538	1 074 920
Motor vehicles	10 354 083	362 826	(244 549)	(4 071 310)	(3 453)	160 829	6 558 426
Office equipment	4 928 660	913 197	(133 417)	(2 408 938)	-	-	3 299 502
Infrastructure	1 147 116 352	119 470 870	(13 302 527)	(52 372 864)	(5 491 214)	2 255 411	1 197 676 028
Emergency equipment	15 606	-	(8)	(4 357)	-	-	11 241
	1 274 273 527	130 887 972	(13 807 834)	(62 694 363)	(5 736 407)	2 421 270	1 325 344 165

Assets subject to finance lease (Net carrying amount)

Office Equipment	2 131 524	1 484 098
Motor vehicles	570 312	4 063 810
	2 701 836	5 547 908

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
10. Property, plant and equipment (continued)		
Additions Reconciliation		
Property, plant and equipment additions on is split into the following;		
Property plant and equipment procured through cash received by the Municipality	134 689 194	95 289 469
Property plant and equipment procured through mining donations	49 583 813	36 072 467
	184 273 007	131 361 936
Property, plant and equipment in the process of being constructed or developed		
Cumulative expenditure recognised in the carrying value of property, plant and equipment		
Infrastructure	244 264 570	96 131 576
Community	8 360 317	9 954 549
	252 624 887	106 086 125
Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected		
Pietbos Road	-	2 560 565
RBIG	114 509 355	74 669 740
Delay due to delivery of material which were damaged and signing of the happy letters due to unavailability of some of the beneficiaries, Miscalculation by Consultant in including their fees on the Construction cost, as a result number of units increased from 380- 496		
	114 509 355	77 230 305
Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)		
Kuruman Bulk Water	-	18 452 729
This project was halted as funds were not available to continue with the project. This project was funded by RBIG and the mines are going to fund the project going forward.		
	-	18 452 729

Reconciliation of Work-in-Progress 2020

	Included within Infrastructure	Included within Community	Total
Opening balance	96 131 576	9 954 550	106 086 126
Additions/capital expenditure	175 453 698	915 055	176 368 753
Transferred to completed items	(21 948 705)	(7 881 287)	(29 829 992)
	249 636 569	2 988 318	252 624 887

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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10. Property, plant and equipment (continued)

Reconciliation of Work-in-Progress 2019

	Included within Infrastructure	Included within Community	Total
Opening balance	67 850 517	-	67 850 517
Additions/capital expenditure	119 470 868	9 954 550	129 425 418
Transferred to completed items	(91 189 809)	-	(91 189 809)
	96 131 576	9 954 550	106 086 126

Expenditure incurred to repair and maintain property, plant and equipment

Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Buildings	171 075	217 157
Plant and Equipment	87 256	65 000
Motor Vehicles	958 745	889 842
Office Equipment	452 325	346 864
Infrastructure	1 325 458	1 142 390
	2 994 859	2 661 253

A register containing the information required by section 63 of the Municipal Finance Management Act is available for inspection at the registered office of the municipality.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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11. Intangible assets

	2020			2019		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 156 244	(871 631)	284 613	999 527	(753 602)	245 925

Reconciliation of intangible assets - 2020

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	245 925	244 717	(26 281)	(179 748)	284 613

Reconciliation of intangible assets - 2019

	Opening balance	Additions	Disposals	Amortisation	Total
Computer software	350 553	73 749	(8 562)	(169 815)	245 925

12. Heritage assets

	2020			2019		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Mayoral chain	-	-	-	5 642	-	5 642
The Eye	1 655 642	-	1 655 642	1 650 000	-	1 650 000
Total	1 655 642	-	1 655 642	1 655 642	-	1 655 642

Reconciliation of heritage assets 2020

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Reconciliation of heritage assets 2019

	Opening balance	Total
Mayoral chain	5 642	5 642
The Eye	1 650 000	1 650 000
	1 655 642	1 655 642

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

12. Heritage assets (continued)

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognised heritage assets on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

13. Other financial liabilities

At amortised cost

DBSA Bank loan

2020 R	2019 R
12 641 287	16 046 283

The Borrower shall cede to the DBSA, security in the form of a cession over its income stream, covering the installments outstanding, plus interest and collection charges outstanding, at any time during the term of the loan

The borrower hereby agrees to create and deposit at a recognised commercial bank, an amount equal to two installments over a period of one year of the respective loan period. This amount is to be ceded to the DBSA as security for the loan

Non-current liabilities

At amortised cost

10 537 615	14 106 191
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Current liabilities

At amortised cost

2 103 672	1 940 092
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

13. Other financial liabilities (continued)

Defaults and breaches

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Interest rate per annum
61000505	102274/2	2006/03/01	2026/02/28	20	8.46 %
61003307	13891/201	2001/12/20	2023/06/30	20	10.75 %
61000632	102568/2	2007/11/19	2027/12/31	20	5.00 %
61000357	101738/2	2005/03/24	2025/06/30	20	9.34 %
61001387	11099/102	1998/04/24	2018/06/30	20	15.00 %
61000038	100234/1	2003/08/07	2024/12/31	20	11.50 %

As at 30 June 2020, the Municipality had the following concessionary loans from DBSA:

Contract number	Loan number	Start date	Planned end date	Loan term (Years)	Interest rate per annum
61000632	102568/2	2007/11/19	2027/12/31	20	5.00 %
61000505	102274/2	2006/03/01	2026/02/28	20	8.46 %
61000357	101738/2	2005/03/24	2025/06/30	20	9.34 %

Significant terms and conditions of such loans

Contract number: 102568/2

- Loan amount: R3 550 000
- Loan period: 20 years
- Fixed interest rate: 5%
- Grace period: 1 year

The nominal value of loan balance at year-end is R1 793 968.55.

Contract number: 102274/2

- Loan amount: R12 109 500
- Loan period: 20 years
- Fixed interest rate: 8.46%
- Grace period: 4 years

The nominal value of loan balance at year-end is R5 862 956.13.

Contract number: 101738/2

- Loan amount: R7 183 596.02
- Loan period: 20 years
- Fixed interest rate: 9.34%
- Grace period: 5 years

The nominal value of loan balance at year-end is R3 121 034.68

Maturity analysis

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	2 103 672	2 181 861	8 355 752	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
DBSA Bank loan	1 940 092	4 484 980	5 521 235	4 099 976

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

13. Other financial liabilities (continued)

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

14. Finance lease obligation

Minimum lease payments due

- within one year	2 925 896	5 246 371
- in second to fifth year inclusive	1 849 030	3 147 131
	4 774 926	8 393 502
less: future finance charges	(1 167 621)	(854 267)
Present value of minimum lease payments	3 607 305	7 539 235

Present value of minimum lease payments due

- within one year	2 202 988	5 603 275
- in second to fifth year inclusive	1 404 317	1 935 960
	3 607 305	7 539 235

Non-current liabilities	1 404 317	1 935 960
Current liabilities	2 202 988	5 603 275
	3 607 305	7 539 235

It is municipality policy to lease certain [property]motor vehicles and equipment under finance leases.

The average lease term was 2-5 years and the average effective borrowing rate was 7% (2019: 8%).

Interest rates are linked to prime at the contract date. All leases have fixed repayments and no arrangements have been entered into for contingent rent.

The entity's obligations under finance leases are secured by the lessor's charge over the leased assets. Refer note 10.

15. Payables from exchange transactions

Trade payables	18 443 777	67 837 996
Accruals	418 849	17 280 600
Unallocated deposits	752 769	654 340
Retention monies	17 018 757	13 246 785
Sale of stands	6 531 233	8 002 558
Sundry payables	134 179	67 300
Debtors with credit balances	3 702 335	3 078 005
Employee costs accrual	180 799	-
Group life Insurance	3 431 434	2 906 017
Leave pay	7 207 485	4 958 470
Bonus	3 013 720	4 194 327
	60 835 337	122 226 398

16. Consumer deposits

Service accounts	4 485 292	3 667 454
Housing rental	741 519	1 046 103
	5 226 811	4 713 557

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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16. Consumer deposits (continued)

Consumer deposits represent amounts received in advance and held as surety for service accounts and other services.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
17. Employee benefit obligations		
The amounts recognised in the statement of financial position are as follows:		
Carrying value		
Present value of the defined benefit obligation-wholly unfunded	(27 232 972)	(27 232 972)
Present value of the defined benefit obligation-partly or wholly funded	(2 561 028)	(5 550 717)
	(29 794 000)	(32 783 689)
Non-current liabilities	(28 111 000)	(31 242 446)
Current liabilities	(1 683 000)	(1 541 243)
	(29 794 000)	(32 783 689)

The municipality provides certain post-retirement health care benefits by funding the medical aid contributions of qualifying retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member is entitled to continue as a member of such medical aid fund on retirement, in which case the municipality is liable for a certain portion of the medical aid membership fee. The municipality operates an unfunded defined benefit plan for these qualifying employees. No other post-retirement benefits are provided to these employees.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at 30 June 2020 by Mr C Weiss, Fellow of the Actuarial Society of South Africa. The present value of the defined benefit obligation, and the related current service cost and past service cost, were measured using the projected unit credit method.

Long service award

The members of the long service award are made up as follows:

Eligible employees at the beginning of the financial year	307	308
New Entries	32	-
Exits	(23)	(1)
	316	307

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	5 550 717	5 372 611
Total Annual expense	719 463	178 106
Actuarial loss/(gains)	(239 180)	-
	6 031 000	5 550 717

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	691 632	598 889
Interest cost	432 612	396 095
Actuarial (gains) losses	(239 180)	250 694
Settlement	(411 331)	(557 874)
	473 733	687 804

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	7.48%	8.00 %
Expected rate of return on assets	4.07%	5.57 %
Expected rate of return on reimbursement rights	3.28%	2.50%
Average Retirement Age	62	62

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
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17. Employee benefit obligations (continued)

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 7.48% per annum has been used. The first step in the derivation of this yield is to calculate the liability-weighted average of the yields corresponding to the actual terms until payment of long service awards, for each employee. The 7.48% is then derived as the liability-weighted average of the yields derived in the first step. The corresponding liability-weighted index-linked yield is 2.77%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the JSE after the market close on 29 June 2020.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	1 222 000	977 781
Effect on defined benefit obligation	5 656 000	5 267 150

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	6 031 000	5 550 717	4 862 913	4 353 215	3 989 044
Surplus (deficit)	(6 031 000)	(5 550 717)	(4 862 913)	(4 353 215)	(3 989 044)
Experience adjustments on plan liabilities	209 294	300 806	193 943	76 211	209 294

Post employment medical aid subsidy

The members of the post-employment health care benefit plan are made up as follows:

In-service (employee) members	190	188
In-service (employee) non-members	126	119
Continuation (retiree and widow) members	26	26
	342	333

Movements in the present value of the defined benefit obligations were as follows:

Opening balance	23 746 202	23 746 202
Contributions by plan participants	16 798	-
	23 763 000	23 746 202

The amounts recognised in the Statement of Financial Performance are as follows:

Current service cost	1 478 611	1 210 821
Interest cost	2 494 640	2 042 405
Actuarial (gains) losses	(6 313 311)	2 932 353
Settlement	(1 129 912)	(1 061 051)
	(3 469 972)	5 124 528

Movements in the present value of the defined benefit obligation were as follows:

Assumptions used at the reporting date:

Discount rates used	10.33 %	9.35 %
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
17. Employee benefit obligations (continued)		
Expected rate of return on assets	6.40 %	6.83 %
Expected rate of return on reimbursement rights	3.69 %	2.36 %
Actual return on reimbursement rights	4.43 %	4.75 %
Medical cost trend rates	5.65 %	4.39 %
Other material actuarial assumptions [provide details]	62	62
	-	-

The basis used to determine the overall expected rate of return on assets is as follows:

A discount rate of 10.33% per annum has been used. The corresponding index-linked yield at this term is 2.97%. These rates do not reflect any adjustment for taxation. These rates were deducted from the interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2020.

These rates were calculated using a liability-weighted average of the yields for the three components of the liability. Each component's fixed-interest and index-linked yields were taken from the respective bond yield curves at that component's duration, using an iterative process (because the yields depend on the liability, which in turn depends on the yields).

Health Care Cost Inflation Rate: This assumption is required to reflect estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs (for example, due to technological advances or changes in utilisation patterns). Any assumption regarding future medical scheme contribution increases is therefore subjective.

Health Care Cost Inflation Rate of 7.32% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.82%. A larger differential would be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.99% which derives from $((1+9.46\%)/(1+7.32\%))-1$.

The expected inflation assumption of 5.82% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.97%) and those of fixed interest bonds (9.46%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows: $((1+9.46\%-0.50\%)/(1+2.97\%))-1$.

Sensitivity analysis

Assumed healthcare cost trends rates have a significant effect on the amounts recognised in surplus or deficit. A one percentage point change in assumed healthcare cost trends rates would have the following effects:

	One percentage point increase	One percentage point decrease
Effect on the aggregate of the service cost and interest cost	4 331 600	5 386 487
Effect on defined benefit obligation	23 763 000	26 402 883

The history of experienced adjustments is as follows:

	2020 R	2019 R	2018 R	2017 R	2016 R
Defined benefit obligation	23 763 000	27 233 000	22 108 000	20 471 000	20 144 000
Surplus (deficit)	(23 763 000)	(27 233 000)	(22 108 000)	(20 471 000)	(20 144 000)
Experience adjustments on plan liabilities	-	860 000	604 000	418 000	(237 000)

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
18. Unspent conditional grants and receipts		
Unspent conditional grants and receipts comprises of:		
Unspent conditional grants and receipts		
Municipal Infrastructure Grant	3 841 664	-
EPWP Grant	168 058	-
INEP Grant	726 181	-
Water Services Infrastructure Grant	30 896 673	-
	35 632 576	-

19. Provisions

Reconciliation of provisions - 2020

	Opening Balance	Reversed during the year	Change in discount factor	Total
Provision for rehabilitation of landfill sites	18 846 803	(37 890)	-	18 808 913

Reconciliation of provisions - 2019

	Opening Balance	Reversed during the year	Change in discount factor	Total
Provision for rehabilitation of landfill sites	16 226 570	-	2 620 233	18 846 803

The municipality has an obligation to rehabilitate the landfill sites of Ga Segonyana.

The environmental rehabilitation provision represents the estimated costs to rehabilitate and close existing waste landfill sites. The provision is recognised at the present value of the expenditure expected to settle the obligation.

The valuation of the landfill site provision was done by EMS Advisory (Pty) Ltd, a company which specialises in infrastructure maintenance and environmental consultancy services to municipalities and the professional valuator on the project was Aiden Bowers PrEng, with extensive experience and expertise relevant for this type of work.

The future value of the rehabilitation of landfill sites obligation was calculated by inflating the non-current cost to an estimated future cost which is then discounted to present value. Interest rate used is 8.30%.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
19. Provisions (continued)		
Key assumptions		
Total Site Area	61 826 m ²	
Area of waste body to be rehabilitated in future (waste footprint) (m2)	46 055 m ²	
Estimated site closure date	2028	
Assumed site start date	1994	
Assumed total site life	36 years	
Remaining site life (as at 01 July 2018) (years)	approximately 10 years	
Estimated annual airspace consumption (m3)	6156	
Estimated total airspace (m3)	186 420	
The applicable discount rate (which is the rate specifically associated with the risk of the cash flow being discounted) relevant cash flows in 2018	10.29% (based on Government Bond yield rate of 9.035% and an Adjustment for risk of 1.25%)	
Estimated airspace remaining (m3)	72 241	
Airspace consumed to date		61 %
20. Revenue		
Sale of stands	2 549 515	2 272 073
Service charges	158 496 147	138 849 160
Rental of facilities	2 351 079	1 647 558
Interest received on outstanding receivables	7 611 742	6 189 421
Licences and permits	3 235 544	2 748 788
Other revenue	3 675 716	4 231 923
Interest investment	3 707 754	2 835 635
Property rates	45 094 777	43 409 469
Government grants & subsidies	387 867 686	310 089 659
Fines, penalties and forfeits	4 845 325	1 756 338
	619 435 285	514 030 024
The amount included in revenue arising from exchanges of goods or services are as follows:		
Sale of stands	2 549 515	2 272 073
Service charges	158 496 147	138 849 160
Rental of facilities	2 351 079	1 647 558
Interest on outstanding receivables	7 611 742	6 189 421
Licences and permits	3 235 544	2 748 788
Other revenue	3 675 716	4 231 923
Interest on investments	3 707 754	2 835 635
	181 627 497	158 774 558
The amount included in revenue arising from non-exchange transactions is as follows:		
Taxation revenue		
Property rates	45 094 777	43 409 469
Transfer revenue		
Government grants & subsidies	387 867 686	310 089 659
Fines, Penalties and Forfeits	4 845 325	1 756 338
	437 807 788	355 255 466

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	2020 R	2019 R
21. Service charges		
Sewer levied	13 784 767	11 030 843
Sale of electricity	112 911 137	98 103 677
Sale of water	22 857 558	21 105 313
Refuse removal	8 942 685	8 609 327
	158 496 147	138 849 160
22. Rental of facilities		
Premises		
Premises	1 861 344	1 150 017
Facilities and equipment		
Rental of facilities	489 735	497 541
	2 351 079	1 647 558
23. Other revenue		
Other revenue	3 675 716	4 231 923
24. Investment revenue		
Interest revenue		
Bank	3 707 754	2 835 635
25. Property rates		
Rates levied		
Property rates levied	46 470 415	44 477 199
Less: Income forgone	(1 375 638)	(1 067 730)
	45 094 777	43 409 469
26. Government grants and subsidies realised		
Operating grants		
Equitable share	159 726 000	141 895 001
Library Grant	1 621 000	1 621 000
Municipal Disaster Relief Grant	179 000	-
Finance Management Grant (FMG)	2 680 000	2 215 000
Expanded Public Works Program Grant (EPWP)	1 105 942	1 113 370
ACIP Grant	-	8 902
Private Mining Companies Grant	25 000	-
	165 336 942	146 853 273
Capital grants		
Municipal Infrastructure Grant (MIG)	49 460 336	52 793 000
Rural Bulk Infrastructure Grant (RBIG)	-	22 184
Integrated National Electrification Programme (INEP)	48 022 042	27 755 809
Water Services Infrastructure Grant (WSIG)	79 064 552	46 592 926
Public Contributions	45 983 814	36 072 467
	222 530 744	163 236 386
	387 867 686	310 089 659

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
26. Government grants and subsidies realised (continued)		
Conditional and Unconditional		
Included in above are the following grants and subsidies received and or spent:		
Conditional grants received	228 138 685	168 194 655
Unconditional grants received	159 726 000	141 895 001
	387 864 685	310 089 656

Equitable Share

In terms of section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it. The Equitable Share Grant also provides funding to the municipality to deliver free basic services to poor households and to subsidise costs of administration and other core services of the municipality. The grant is realised in full upon receipt.

Municipal Infrastructure Grant

Current-year receipts	53 302 000	52 793 703
Conditions met - transferred to revenue	(49 460 336)	(52 793 703)
	3 841 664	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

The grant is mainly used to fund infrastructure related projects (mainly as part of the service delivery). Capitalised projects funded by this grant are included in property, plant and equipment whilst the unspent portion of the grant is included in current liabilities.

Library Grant

Current-year receipts	1 621 000	1 621 000
Conditions met - transferred to revenue	(1 621 000)	(1 621 000)
	-	-

The purpose is to fund capital projects and maintenance of library facilities the community.

Finance Management Grant (FMG)

Current-year receipts	2 680 000	2 215 000
Conditions met - transferred to revenue	(2 680 000)	(2 215 000)
	-	-

The purpose of the grant is to promote and support reforms in financial management by building capacity in municipalities to implement the Municipal Finance Management Act.

Expanded Public Works Program (EPWP)

Balance unspent at beginning of year	-	113 300
Current-year receipts	1 274 000	1 000 000
Conditions met - transferred to revenue	(1 105 942)	(1 113 300)
	168 058	-

The purpose of the grant is to incentives municipalities to expand work creation efforts through the use of labour intensive delivery methods in the identified focus areas, in compliance with EPWP guidelines.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
26. Government grants and subsidies realised (continued)		
Integrated National Electrification Programme		
Balance unspent at beginning of year	-	1 032
Opening balance for the overspent - prior year	(8 811 777)	-
Current-year receipts	57 560 000	18 943 000
Conditions met - transferred to revenue	(48 022 042)	(27 755 809)
Overspent	-	8 811 777
	726 181	-

Conditions still to be met - remains a liability and included under Unspent Conditional Grants.

Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	-	1 554 151
Overspent	(38 775)	-
Current-year receipts	110 000 000	45 000 000
Conditions met - transferred to revenue	(79 064 552)	(46 554 151)
	30 896 673	-

The purpose of the grant is to facilitate the planning, acceleration and implementation of various projects that will ensure availability of water to the community.

27. Employee related costs

Basic	85 867 593	79 385 629
Bonus - 13th Cheque	4 543 570	7 165 472
Medical aid - company contributions	6 875 178	6 201 580
UIF	646 683	626 369
Leave pay	2 577 826	(497 765)
Short term benefit	997 394	939 264
Employee benefit obligations	2 170 243	1 809 710
Defined contribution plans	10 476 259	9 905 237
Travel, motor car, accommodation, subsistence and other allowances	2 304 571	2 577 078
Overtime payments	5 174 580	6 512 429
Long-service awards	156 950	248 436
Acting & Standby Allowances	1 450 136	2 033 627
Transport allowance	-	109 770
Housing benefits and allowances	3 507 075	3 235 124
Industrial Council Contributions	36 238	-
Standby Allowance	1 864 364	2 381 088
Telephone Allowance	328 910	345 457
Group Insurance	1 951 135	1 893 116
Other Allowances	-	33 692
	130 928 705	124 905 313

Remuneration of Municipal Manager: M Tsatsimpe

Annual remuneration	1 246 974	1 186 190
Car allowance	177 445	172 450
Contributions to UIF	1 785	1 785
Performance bonus	99 249	-
Cellphone allowance	42 294	-
Other contributions	108 292	138 822
	1 676 039	1 499 247

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	2020 R	2019 R
27. Employee related costs (continued)		
Remuneration of the Director: Corporate Support Services - R Pule		
Annual Remuneration	946 290	171 666
Car Allowance	88 550	-
Provision for leave	-	6 460
Performance bonus	18 877	-
Contributions UIF	1 785	-
Cellphone allowance	30 210	-
Other Contributions	80 551	-
	1 166 263	178 126
Remuneration of Chief Financial Officer : Kagiso Noke		
Annual remuneration	972 068	923 252
Car allowance	191 048	185 670
Contributions to UIF	1 785	1 785
Performance bonus	84 676	-
Cellphone allowance	30 210	-
Other contributions	91 009	112 574
	1 370 796	1 223 281
Remuneration of the Director: Community Services - F.K Baloyi		
Annual Remuneration	611 910	-
Cellphone allowance	20 210	-
Contributions to UIF	1 190	-
Other contributions	36 852	-
	670 162	-
Ms F K Baloyi was appointed on 1 November 2019.		
Remuneration of Acting Director: Community Services - M Moetsi		
Acting Allowance	185 456	-
Remuneration of the Director: Community Services - M Keetile		
Acting Allowance	61 819	-
Remuneration of the Director: Corporate Support Services - Lencoe		
Acting allowance	-	189 840
Remuneration of the Director: Technical Services - H Smit		
Annual Remuneration	1 018 108	1 007 151
Car Allowance	145 008	102 270
Performance Bonus	84 676	-
Contributions to UIF	1 785	1 785
Cellphone allowance	30 210	-
Other Contributions	87 536	108 904
	1 367 323	1 220 110

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
28. Remuneration of councillors		
Mayor	860 859	885 025
Councillors	8 266 874	8 234 759
Speaker	733 088	695 094
	9 860 821	9 814 878

In-kind benefits

The Mayor and Speaker are both full-time councillors of the municipality. Each is provided with an office and secretarial support at the cost of the Council.

The Mayor and Speaker each have the use of separate Council owned vehicles and are provided with a driver for official duties.

29. Depreciation and amortisation

Buildings	3 045 380	3 262 998
Plant and machinery	259 439	310 540
Furniture and fixtures	357 264	317 653
Motor vehicles	4 464 142	4 071 310
Office equipment	1 782 571	2 371 079
Infrastructure	50 482 453	52 372 864
Emergency Assets	4 363	2 835
Intangible assets	179 748	169 812
	60 575 360	62 879 091

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total costs of the item has been depreciated separately.

30. Impairment of assets

31. Finance costs

Employee benefit obligations	2 933 802	2 438 500
Interest on provision for rehabilitation of land	-	2 620 233
Non-current borrowings	1 228 026	1 388 180
Trade and other payables	2 220 684	6 261 833
Finance leases	3 094 147	5 544 678
	9 476 659	18 253 424

32. Debt impairment - Gain/(loss)

Contributions to debt impairment	19 352 331	67 525 939
Bad debts written off	-	(36 400 957)
	19 352 331	31 124 982

Contribution to debt impairment relates to receivables where financial difficulties of the debtor and default or delinquency in payments or all long debt outstanding are considered indicators to determine that debtors are provided for impairment. When an under recovery occurs during the financial year an additional contribution for impairment is made at year end.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

	2020 R	2019 R
33. Debtors write-off		
Other debtors written-off	694 809	46 047 804
34. Bulk purchases		
Electricity	88 208 832	76 344 850
Water	25 000 000	26 594 114
	113 208 832	102 938 964
<p>The municipality appointed Sedibeng to administer the production of water. Water bulk purchases are included in general expenses due to the nature of the municipality's contract with Sedibeng.</p> <p>It is the intention of the council to hand over long outstanding customer debtors to legal debt collector in an attempt to recover all outstanding debts. This will result in gross debtors balances being significantly reduced and a significant increase in bad debts write off. Recoveries from legal debt collection will result in bad debts recovered and revenue recognised.</p>		
35. General expenses		
Advertising	39 936	118 862
Auditors remuneration	6 099 703	5 314 998
Bank charges	803 837	836 394
Cleaning	25 393	418 611
Computer expenses	2 721 580	2 951 977
Consulting and professional fees	27 377 534	32 073 591
Consumables	10 861 189	10 771 827
Water levies	13 444	80 139
Outsourced Contracted Services	18 653 173	19 402 230
Entertainment	232 517	210 579
Operating leases	2 356 340	11 232 651
Hire	235 795	10 497
Insurance	7 040 059	6 518 983
Bus Diesel	1 451 000	1 430 000
Incorporation costs	971 524	297 042
Skills development	737 764	1 052 634
Fuel and oil	1 689 551	3 153 184
Postage and courier	38 576	222 172
Printing and stationery	424 114	1 611 723
Protective clothing	957 300	1 525 786
Subscriptions and membership fees	1 614 275	1 311 084
Telephone and fax	87 500	131 966
Travelling & Subsistence	1 847 906	2 856 909
Electricity	3 300 297	3 796 749
Cost of land sold	2 591 600	2 282 863
Sundry expenses	249 143	388 880
	92 421 050	110 002 331

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Notes to the Annual Financial Statements

	2020 R	2019 R
36. Cash generated from operations		
Surplus	184 971 663	2 757 932
Adjustments for:		
Depreciation and amortisation	60 575 360	62 879 091
Fair value adjustments	(136 000)	(1 624 100)
Finance costs - Finance leases & Employee benefit	3 094 147	4 319 207
Impairment deficit	-	3 476 466
Debt impairment	19 352 331	31 124 982
Bad debts written off	694 791	46 415 131
Movements in retirement benefit assets and liabilities	(2 989 689)	5 812 332
Movements in provisions	(37 890)	2 620 233
Impairment reversal	-	(2 478 848)
Actuarial gains	(6 552 491)	6 556 879
Changes in working capital:		
Inventories	(17 692 848)	(8 378 588)
Consumer debtors	(30 931 902)	(43 029 390)
Other receivables from non-exchange transactions	(3 560 408)	9 061 398
VAT	29 050 089	(6 853 374)
Conditional grants overspent	8 404 841	(8 850 553)
Payables from exchange transactions	(61 391 061)	3 939 443
Unspent conditional grants and receipts	19 908 444	-
Consumer deposits	513 254	(620 762)
	203 272 631	107 127 479
37. Commitments		
Authorised capital expenditure		
Already contracted for but not provided for		
• Property, plant and equipment	39 228 163	4 723 316
Total capital commitments		
Already contracted for but not provided for	39 228 163	4 723 316
Total commitments		
Total commitments		
Authorised capital expenditure	39 228 163	4 723 316

This committed expenditure relates to plant and equipment and will be financed by unspent grants rolled over as per conditions of Division Revenue Act as well as accumulated surplus.

Ga Segonyana Local Municipality

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	2020 R	2019 R
38. Contingent Liabilities		
The municipality had the litigation cases that could result in the following contingent liabilities being payable as at year end:		
Sulliman Attorneys	150 000	150 000
Conveyancing and registration of property case brought against the municipality.		
Van Rooyen	250 000	250 000
This is a labour related issue where the municipality applied for a review of an arbitration by SALBGC which awarded Van Rooyen a payment of R250 000. The municipality is challenging the award. The outcome of the application for review is unknown.		
Illegal traders	-	-
This is a matter where the municipality is being sued for evicting illegal hawkers in Mothibistad. The estimated claim is nil		
OJM Engineers	3 200 000	3 300 000
The contractor was awarded work on a project that was divided into three phases. They were appointed to work on phase one only but they are claiming work for the other two phases.		
IMATU obo ML Monyela	150 000	150 000
This is a labour related issue in which IMATU took the municipality to court with regard to ML Monyela. The timing of cash outflows from the municipality is dependent on the outcome of the case which is unknown		
Nugen	80 000	-
Nugen is challenging the municipality on the basis of unfair appointment of a tender. The case is pending in the Regional Court of Northern Cape		
Edward Ntefang	65 000	65 000
This is a labour related issue in which CoGHSTA took Mr Ntefang to court with regards his appointment as the Municipal Manager at Ga-Segonyana. CoGHSTA was disputing Mr Ntefang's qualifications and experience to be appointed as a Municipal Manager. Legal opinion (Monyela M L).		
1962 Construction (Pty) Ltd	-	67 387 905
The Municipality is being sued by 1962 Construction (Pty) Ltd for which is a sub-contractor to the main contractor that was awarded a tender by the Municipality. The sub-contractor was not paid by the main contractor and want to recover their costs through the Municipality.		
Diseko	-	150 000

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	2020 R	2019 R
38. Contingent Liabilities (continued)		
The matter was involved in the Labour court Cape Town. The issue has been referred back to the bargaining council.		
The Wie-cla Insurance Broker	-	30 000
This is regarding electricity supply and the legal liability is R30 000		
Tsalanyang West and Environmental specialists	-	300 000
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
Segomutsi Trading Enterprises	-	300 000
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
MI Suliman	-	100 000
Insurance claim municipal vehicle in accident with a third party. The timing of cash outflows from the municipality is dependent on the outcome of the insurance claim which is unknown		
	3 895 000	72 182 905

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39. Related parties

Relationships

Councillor N.G Thupaemang

Councillor E.B Modise

Councillor G.C Assegai

Technical Director: H Smith

Chief Financial Officer: Kagiso Noke

Councillor: G.N Mntuyedwa

Councillor: K.B Selepe

Councillor: G.N Masegela

Councillor: O.D Mathibe

Councillor: M.G Reetsang

Councillor: M.P Galeboe

Councillor: L.N Makoke

Councillor: K.R Makwati

Councillor: Moagi

Councillor: I Tshetshemeserogwe

Municipal Manager: MM Tsatsimpe

Councillor: A Van Der Westhuisen

Councillor: K.A Nels

Director Community Services: FK Baloyi

Bafumahadi khumo Enterprise and Projects - Director
Mmeotshwara Thipa Ka Ha Bogaleng Primary
Cooperative Limited - Director Ditswammung Mineral
Resources Consortium Director Mseko Enterprise
and Projects

Bomme-sejo Services and Supply Co-operative
Limited

Bomme-sejo Services and Supply Co-operative
Limited - Director Gadikgadi - Director Self-Propelled
Trading and Projects - Director

Local Economic Development Agency of Mafikeng
Director Mafikeng Industry Development Zone -
Director

KAYN Projects - Director

Masakeng A Dipodi Primary Co-operative Limited
Director

Batlharos Sound Hire - Director Tlotlanang Catering -
Director Bomme-Sejo Services and Supply Co-
operative Limited - Director By Fire Business
Enterprise

Boka Resources - Director 22Tone Live Media Group
AM Tlou Holdings

Nomisa Enterprise - Director

Letlotlo Lame Trading and Projects - Director

PKS Trading - Director Phoggie N Sego Trading
Enterprise

Phitlhelelo Driving School Black Blazer Building
Construction and Projects

Kgalagadi Bricks

1974 Celesti Trading and Projects

Tshetshemeserogwe 17 Enterprise

Kurara FM Radio Station

Acsb Reaction and PI services

T O L T Business Enterprise

LA Coup Trading Enterprises

Mpho Ya Basadi Supplier & Projects

Palesa Tsa Cuba Lodge & Guest House

Bomme Tshenolo Projects & suppliers

Kgalagadi Women in Mining production drilling &
projects

BFMS Mining and Drilling Solutions

SHE Sanitation Solutions

Tsantsabane Youth Maths & Science Academy

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Notes to the Annual Financial Statements

	2020 R	2019 R
39. Related parties (continued)		
Related party transactions		
Salaries paid to related parties of councillors		
R.M. Meyers (Wife to Councillor T.E. Meyers)	421 815	364 192
G. Sibi (Daughter to Councillor N.G Thupaemang)	450 099	385 759
K.V. Makoke (Brother to Councillor L.N. Makoke)	496 217	492 647
D. Baepi (Brother to Councillor L.C. Moseki)	547 581	489 379
K.M. Modise (Daughter to Councillor B.E. Modise)	299 993	254 036

Remuneration of management

Councillors/Mayoral committee members

Refer to note "Remuneration of councilors" 28

Executive management

*Refer to note "Employee related costs" 27

Councillors arrear accounts

Refer to note "Additional disclosure in terms of Municipal Finance Management Act" 45

40. Risk management

Financial risk management

Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

At 30 June 2020	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	54 896 561	-	-	-
Finance lease obligation	2 202 988	1 404 317	-	-
Other financial liabilities	2 103 672	10 537 615	-	-
Consumer deposits	5 218 783	-	-	-
Employee benefit obligation	1 683 000	28 111 000	-	-
Unspent conditional grants and receipts	35 632 576	-	-	-
At 30 June 2019	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	121 026 158	-	-	-
Finance lease obligation	5 603 275	1 935 960	-	-
Other financial liabilities	1 940 092	14 106 191	-	-
Consumer deposits	4 713 557	-	-	-
Employee benefit obligation	1 541 243	31 242 446	-	-

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

40. Risk management (continued)

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, and accounts receivable. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party. Trade receivables comprise a widespread customer base. Management evaluates credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors

Credit risk arises from cash deposits, cash equivalents, and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	30 June 2020	30 June 2019
Receivables from exchange transactions	54 538 939	42 959 368
Receivables from non-exchange transactions	20 644 132	17 083 724
Cash and cash equivalents	59 270 087	551 057

Market risk

Interest rate risk

The municipality's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the municipality to cash flow interest rate risk. Borrowings issued at fixed rates expose the municipality to fair value interest rate risk.

The municipality analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions and alternative financing. Based on these scenarios, the municipality calculates the impact on surplus and deficit of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies.

41. Going concern

The Annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that the municipality will continue to receive grants from National and Provincial Governments as well as continue to levy rates and charge for services provided to consumers. The proceeds are presumed to be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

Non-compliance (30 days) - The municipality is currently not paying all their creditors within the accepted 30 days. This also resulted in fruitless and wasteful expenditure due to interest on overdue creditors account:

Despite the above negative indicators, the municipality is a going concern because of the following:

It is a state entity set up by the Constitution of the Republic of South Africa to provide basic services to the community and is also funded by the state for that purpose. Failure to provide these services will prompt National Government intervention to ensure it stays functional and able to deliver basic services and consequently compliance with the Constitution

	2020/21	2021/22	Total
Finance Management Grant (FMG)	3 112 000	3 376 000	6 488 000
Municipal Infrastructure Grant (MIG)	56 218 000	60 412 000	116 630 000
Integrated National Electrification Grant	2 560 000	2 700 000	5 260 000
Water Services infrastructure (WSIG)	39 765 000	41 857 000	81 622 000
Library grant	1 797 000	1 797 000	3 594 000
Equitable Share	174 827 000	191 857 000	366 684 000
	278 279 000	301 999 000	580 278 000

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

41. Going concern (continued)

There is no indication of a possibility of default by the government in paying grants under the act. This is also corroborated by experience where National Treasury has met its obligations year on year and has therefore created a constructive obligation. Part of the grants tabled above has already been paid in July 2019 (MIG, WSIG, INEP and Equitable share), August 2019 (FMG) and September 2019 (Library and EPWP).

In addition, the municipality collects revenue for services rendered and this will augment their cash flows in subsequent years

There was an outbreak of COVID-19 which was declared an epidemic by the World Health Organisation and following that, the South Africa Government declared 21 days of lockdown. In spite of the COVID-19 outbreak, the municipality will continue as a going concern as it is part of the institutions that supply critical services to the communities it serves. The President of South Africa also pledged support for all institutions that supply critical services and a fund has also been set up to support these institutions. Unemployment Insurance Fund (UIF) will also be used to support salaries during this period. The municipality has also received their grants (Equitable share) and they will continue to receive grants in the foreseeable future.

National Treasury assisted the Municipality by providing additional funding to manage the effects of Covid-19.

Project name	Start date	Planned end date	Approved budget	Actual Expenditure as at 30 June 2020	Variance
Magojaneng Block D water Supply	28 August 2019	23 May 2020	20 773 236	19 609 821	264 995
Construction of Water Supply augmentation in Kagung and West Derby	19 August 2019	20 March 2020	17 763 603	17 150 710	612 893
Extension of Pietbos Water supply	21 October 2019	20 June 2020	12 213 719	9 383 475	2 830 243
Mapoteng Source Development	31 January 2020	20 June 2020	11 839 572	5 623 655	6 215 917
Maruping / Batlharos bulk Water Supply phase 3 - Ward 8,910,14	03 September 2019	03 August 2020	13 422 068	8 373 133	5 048 935
Upgrading of internal water supply to kuruman and Wrenchville	17 September 2019	12 October 2020	17 078 480	10 540 052	6 538 428
MIG 1494: Mothibistad: Upgrading of Internal road from gravel to paved road	25 July 2019	28 February 2020	18 199 643	17 455 746	743 897
			111 290 321	88 136 592	22 255 308
				2020 R	2019 R

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

42. Unauthorised expenditure

Unauthorised expenditure	180 962 436	41 225 363
Current year	144 780 560	180 962 436
Written-off	(180 962 436)	(41 225 363)
	144 780 560	180 962 436

43. Fruitless and wasteful expenditure

Opening balance(2019, 2018-as Previously reported)	2 425 259	1 887 407
Fruitless and wasteful expenditure - Current year	2 220 665	5 911 841
Prior Period - Current	-	274 769
Written off	(4 645 924)	(5 648 758)
	-	2 425 259

The fruitless and wasteful expenditure relates to interest charged by Eskom on bulk purchases account arrears. The municipality was unable to pay Eskom account in time due to late and non-payment of services and rates account by municipal consumers. An arrangement with Eskom was entered into in May 2018 and has been complied with until the last day of the financial year. This arrangement exists to curb increase in the interest charged. Interest on Eskom account amounted to R2 131 717.76 and interest on other accounts amounted to R137.77.

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

	2020 R	2019 R
44. Irregular expenditure		
Opening balance	61 447 144	167 257 098
Add: Irregular Expenditure - current year	54 797 672	4 537 792
Add: Irregular Expenditure - current year identified during the audit	-	79 302 649
Prior year adjustment	-	(21 577 638)
Less: Written-off	(116 244 816)	(168 072 757)
	-	61 447 144

Analysis of irregular expenditure - Current year

Bid Adjudication Committee not compliant with regulations	111 291 025	61 447 144
SCM Regulation 32 Appointment	4 599 178	-
Court nullified appointment of the Department of Transport	100 014	-
Disagreement on unit rates by the AGSA	254 599	-
	116 244 816	61 447 144

The amount disclosed for irregular expenditure for the reported financial years is mainly as a result of the following reasons:

- Irregular expenditure arose as a result of Bid Adjudication Committee composition not comprising of four senior managers as per regulation 16 of the MFMA in the prior periods (2016/17), this affected the three outer years 2017/18, 2018/19 and 2019/20 on three-year capital programs that were procured in 2016/17 financial year. The expenditures in the two previous years amounted to (2019/20 R26 868 502) R, (2018/19) R32 538 601.
- These expenditures were subjected to a thorough investigation by Municipal Public Accounts Committee and the Internal Audit unit to establish as to whether there were any financial losses suffered by the municipality and if there was wrong doing by any official. The committee recommended to Council to write off these expenditures as no wrong doing was found to have been done by any official and no losses were suffered by the municipality as the non-compliance was on composition of the committee in the prior years.
- During the 2019/20 the Bid Adjudication Committee of the municipality comprised of four senior managers as per the regulations and was chaired by the Chief Financial Officer.
- Further instances of Irregular Expenditure that might have resulted from non-compliance with SCM processes are under investigation to determine the full extent of the amount

Ga Segonyana Local Municipality

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		2020 R	2019 R
45. Additional disclosure in terms of Municipal Finance Management Act			
Bulk Electricity and water Losses in terms of section 125 (2)(d)(i) of the MFMA			
30 June 2020	Lost units	Tariff	Value
Unaccounted electricity losses	9 740 963	0,95	9 253 915
30 June 2019			
Unaccounted electricity losses	17 245 047	0,95	16 382 794,3
Volume in KWH/year		30 June 2020	30 June 2019
System Input Volume		77 493 944	78 600 284
Billed Consumption		67 752 981	61 355 237
Distribution Loss		9 740 963	17 245 047
Percentage Distribution Loss (%)		14.38%	21.94%
30 June 2020	Lost units	Tariff	Value
Unaccounted for water losses	4 236 134	4.22	17 876 485
30 June 2019			
Unaccounted for water losses	4 051 060	4.25	17 217 000
Volume in Kl/year		30 June 2020	30 June 2019
System Input Volume		5 920 056	5 796 468
Billed Consumption		1 683 922	1 861 251
Distribution Loss		4 236 134	4 051 060
% Distribution loss		72.00%	68.00%
Included in both water and electricity losses is the municipal own consumption at various municipal facilities.			
SDL			
Current year subscription / fee		1 121 915	1 052 634
Amount paid - current year		(1 121 915)	(1 052 634)
		-	-
PAYE and UIF			
Current year subscription / fee		18 315 829	16 750 823
Amount paid - current year		(18 315 829)	(16 750 823)
		-	-
Pension and Medical Aid Deductions			
Current year subscription / fee		18 348 831	18 846 367
Amount paid - current year		(18 348 831)	(18 846 367)
		-	-
46. Auditors' remuneration			
External Audit		4 877 253	4 000 299
Internal Audit		1 222 450	1 314 699
		6 099 703	5 314 998

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

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47. Financial instruments disclosure

Categories of financial instruments

2020

Financial assets

	At fair value	At amortised cost	At cost	Total
Trade and other receivables from exchange transactions	-	54 538 939	-	54 538 939
Other receivables from non-exchange transactions	-	20 644 132	-	20 644 132
Cash and cash equivalents	-	-	59 270 087	59 270 087
VAT	-	(621 534)	-	(621 534)
	-	74 561 537	59 270 087	133 831 624

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Other financial liabilities	-	12 641 287	-	12 641 287
Trade and other payables from exchange transactions	-	60 835 337	-	60 835 337
Finance lease liability	-	3 607 305	-	3 607 305
Consumer deposits	-	5 226 811	-	5 226 811
	-	82 310 740	-	82 310 740

2019

Financial assets

	At fair value	At amortised cost	Total
Loans to directors, managers and employees	-	8 850 553	8 850 553
VAT	-	28 428 555	28 428 555
	-	37 279 108	37 279 108

Financial liabilities

	At fair value	At amortised cost	At cost	Total
Consumer deposits	-	4 713 557	-	4 713 557

Credit quality of other assets that are neither past due nor impaired

The municipality evaluates the credit risk of all its customers on an on-going basis taking into account the financial position, past payment history and also considers the municipality's internal control systems on debt collection and credit risk management.

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

48. Deviations

Supply chain management regulations

In terms of section 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Accounting Officer and noted by Council. The expenses incurred as listed hereunder have been approved by the Accounting Officer and have noted by Council. Furthermore, management did not note any material non-compliance with the Municipal Finance Management Act.

Reason	Month	Supplier	Amount	Description
Impractical to Procure through Regulation 18. The municipality have suffered a firewall crash and as a result no work has taken place in the last two days. Work that is related to the server has suffered a great deal. The municipality cannot procure using regulation 18 processes, where the advert has to be placed for a period of 07 days in the municipal website and notice board(s). The firewall is an integral part of our network system. It filters network data from outside our own Ga-Segonyana network, and data that also leaves our network. It shields our network from outside intrusions, and allows data to go through, meaning it handles Internet and email data. If the firewall goes down and is no longer able to function we are unable to access data from outside our network. We also cannot risk being exposed to outside networks without a firewall for the data security and system integrity it provides. We currently have no contingency plans for when a firewall fails, and thus need to purchase this as soon as possible.	6 August 2019	Livity I.C.T (Pty) Ltd	38 890	Supply of Firewall Hardware and Software
Strip and Quote: The service provider has to strip the engine, detect faults and thereafter fix the faults. The Fire truck was taken to the service provider to diagnose the faults as the following were non functional: Lights both the rear and front (right side), Reverse monitor, Emergency Red Light, Winch Hook, This was reported to the fleet officer and the mechanics, however after the inhouse attempts to solve the problem, it was decided that the truck should be taken to the specialist for diagnosis.	15 August 2019	Alpha Auto Electrical (Pty) Ltd	12 552	Engine Electrical Repairs
Impractical to Procure through 3 Quotations - The speaker's vehicle was involved in an accident, and it was taken to the panel-beaters. The Insurance approved Technicolour Sprayshop CC to repair the vehicle -	06 September 2019	Technicolour Sprayshop cc	13 417	Excess fee

The amount that must be paid by the municipality (excess fee) is R13, 416.95 which upon payment the vehicle can be released by the supplier.

In this instance NO three quotations can be sourced since the car is already in possession of the service provider to fix.

Sole Supplier (Only Mercedes Benz Dealerships) - The car (Speaker) has to be taken in for car services (mileage), where it can only be serviced at the Mercedes Benz Dealership. It must be noted that the service plan on the car has lapsed and every time the car reaches the kilometres and/ or period where it needs to be serviced, the municipality has to bear the cost. The current mileage on the car is 146669. Attached hereto please find an internal communication from Director Infrastructure Services	26 September 2019	Eco Motors	29 959	Car Service
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Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

48. Deviations (continued)

Assistance to r bruin ward 09 from Rekathusa funeral parlor. The supplier was tax non compliant at the time of doing business with the municipality, at that time the family of the bereaved had already taken the body to the parlour of their choice.	11 October 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
Assistance for Charlie Mohola ward 12 from Rekathusa funeral parlour	18 October 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
Assistance for Mosimaneotsile Andries ward 4 from Rekathusa funeral parlour	18 October 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
Assistance to Malebogo Joyce Dawie ward 2 from Rekathusa funeral parlour	30 October 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
Assistance to Karabo Matebesi ward 11 from Rekathusa funeral parlour	30 October 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
The service provider is tax non compliant and they are the only provider for this service.	14 November 2019	SA Civil Aviation Authority	1 160 Annual Renewal of Aerodome License
Coffin assistance for lenkie tau ward 02.	29 November 2019	Rekathusa Funeral Parlour	950 Supply of Coffin
Vacuum tank had to replaced, and TFM Industries are the manufacturers of the truck, hence it is advisable to take it to the manufacturer.	29 November 2019	TFM Industries (Pty) Ltd	324 300 Vacuum Tank Supply
The machine (high pressure jetting machine) must be taken in for service for every 500 hours worked or after 12 months, whichever comes first. The machine was procured from Omogolo Consulting after the processes of a competitive bid (See Bid 10/2018-19).The manufacturer of the machine is Ian Dickie & Company (Pty) Ltd, so the service of the machine must be done the manufacturer or the accredited service provider who would have been accredited by the manufacturer. It is on this reason that the service provider is chosen to provide this service	29 November 2019	Ian Dickie & Company (Pty) Ltd	31 551 mileage / Annual Service
Tax Non-Compliance - The bereaved family requested assistance from the Councillor (Municipality –Ward 02) in a form of coffin/ casket. The family had already taken the deceased to the funeral parlour of their choice.The Municipality did the CSD search of the service provider, only to find out that the service provider is not tax compliant. The family's chosen funeral parlour is already in possession of the deceased and therefore it is impracticable to engage and appoint another funeral parlour who is CSD Tax Compliant. In assisting the family, the municipality cannot afford not to proceed with the transaction	15 January 2020	Rekathusa Funeral Parlour	950 Supply of Coffin
Emergency	28 February 2020	Explore Café	9 200 Generator and Jackhammer Hire
The service provider had to unblock the drain which was hazardous to the community. The service provider leased out the generator and the jackhammer.			
The service provider was requested by the Technical Services Department to strip and quote the machines			

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

48. Deviations (continued)

Emergency	3 February 2020	Explore Café	378 041	Electrical Services				
The municipality had to source the service for electrical works during December, when the municipality was on a festive recess. The Technical services Manager got hold of the service provider to assist with the restoration of power in the municipality's affected area								
Emergency	27 February 2020	Kuruman Midas	12 784	Tri-Lectro Elektriesie Kontrakteurs				
The service provider has to locate the fault on the underground cables (electrical). It is impractical to have three or more service providers on site doing the same work of locating the same fault. Upon the location of the fault, the service provider has to dig and remove the faulty cable, thereafter install the new cable. The service provider was requested by the Technical Services Department to come on site and execute the work.								
A purchase order was issued to this effect, however the amount was never paid.								
Emergency	27 February 2020	Nandina Trading 551 cc t/a TRS	30 331	Repair Services (Transformer)				
The service provider was requested on an emergency basis to come and repair the transformer. This after the electrical network of the municipality was under a server stress, caused by thunder and lightning.								
The transformer was on the verge of blowing up and something needed to be done URGENTLY.								
The service provider was requested by the Technical Services Department to come on site and execute the works	17 March 2020	Rekathusa Funeral Parlour	950	Supply of Coffin				
Tax Non-Compliance								
The bereaved family requested assistance from the Councillor in a form of coffin/ casket. The family had already taken the deceased to the funeral parlour of their choice.								
The Municipality did the CSD search of the service provider, only to find out that the service provider is NOT TAX COMPLIANT. The family's chosen funeral parlour is already in possession of the deceased and therefore it is impracticable to engage and appoint another funeral parlour who is CSD Tax Compliant.								
In assisting the family, the municipality cannot afford not to proceed with the transaction	24 March 2020	Workshop Electronics	9 227	Testing Station Machine Calibration				
Sole SupplierThe sole supplier authorised to service the calibration machine.The calibration machine must be serviced, amongst the works to be carried out is the supply of millibrakes software, loadcell rewiring, lane 1 repairs, repair motor brake tester.								

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

48. Deviations (continued)

Tax Non-Compliance

17 March 2020

Rekathusa
Funeral
Parlour

950 Supply of
Coffin

The bereaved family requested assistance from the Councillor (Municipality –Ward 02) in a form of coffin/ casket. The family had already taken the deceased to the funeral parlour of their choice.

The Municipality did the CSD search of the service provider, only to find out that the service provider is NOT TAX COMPLIANT. The family's chosen funeral parlour is already in possession of the deceased and therefore it is impracticable to engage and appoint another funeral parlour who is CSD Tax Compliant.

Emergency

28 February 2020

Ters Van
Vuuren
Electricals

15 300 Underground
Cable Fault
Detection

The service provider has to locate the fault on the underground cables (electrical). It is impractical to have three or more service providers on site doing the same work of locating the same fault. Upon the location of the fault, the service provider has to dig and remove the faulty cable, thereafter install the new cable. The service provider was requested by the Technical Services Department to come on site and execute the works

Sole Supplier - The initial deviation was recorded on the 24/03/2020, where a call out fee of R9,227.00 (EF008381-004) was paid to the Service

Provider. Subsequent to the that the service provide being the the sole supplier authorised to service the calibration machine came and serviced the machine, where amongst other services, they strip the machine to detect if there are any malfunctions.

The vehicle can only sent to the Mercedes Benz dealership for services and maintenance. No reg 18 processes can be used since the dealer has to identify faults when servicing the car .

The vehicle can only sent to the Mercedes Benz dealership for services and maintenance. No reg 18 processes can be used since the dealer has to identify faults when servicing the car .

Strip and Quote

21 May 2020

Workshop
Electronics

22 504 Testing
Machine
Calibration

21 November 2018

Eco Motors

68 061 Vehicle
Services and
Maintenance

11 June 2020

John Williams
Motors

5 866 Vehicle
Services and
Maintenance

28 February 2020

Kuruman
Midas

2 874 Repair
Services
Lawn Mowers

The service provider had to strip the lawn mowers (Four) to determine their faults, and thereafter fix them. It is not practical to take the machines to different providers to diagnose the machines.

The service provider was requested by the Community Services Department to strip and quote the machines No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.

No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.

No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.

No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.

10 July 2019

Prodiba

22 673 Driving
Licenses
Card Issues

21 August 2019

Prodiba

42 344 Driving
Licenses
Card Issues

29 August 2019

Prodiba

16 432 Driving
Licenses
Card Issues

10 September 2019

Prodiba

18 565 Driving
Licenses
Card Issues

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

48. Deviations (continued)

No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	10 October 2019	Prodiba	16 037 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	24 October 2019	Prodiba	14 536 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	8 October 2019	Prodiba	18 644 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	12 November 2019	Prodiba	15 642 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	12 December 2019	Prodiba	19 434 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	13 December 2019	Prodiba	12 166 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	21 January 2020	Prodiba	23 463 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	27 February 2020	Prodiba	13 351 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	5 March 2020	Prodiba	18 960 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	5 March 2020	Prodiba	29 704 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	29 April 2020	Prodiba	20 935 Driving Licenses Card Issues
No other service provider can be utilised as the PRODIBA is appointed by the National Department of Roads.	24 June 2020	Prodiba	12 008 Driving Licenses Card Issues
The vehicle can only sent to the Audi dealership for services and maintenance. No reg 18 processes can be used since the dealer has to identify faults when servicing the car and fix them.	21 February 2020	Audi Kimberley	48 297 Driving Licenses Card Issues
Sole Service Provider The speaker's car was taken in for mileage services at Audi Kimberley, this was a result of the kilometres having clocked the required number to be taken for service maintenance.	19 March 2020	Audi Kimberley	2 574 Driving Licenses Card Issues
The car can only be taken to the AUDI dealership as the made is from AUDI. No other service provider can be used for this purpose other than that of AUDI.			
Upon the service maintenance only then can the dealer invoice the municipality			
Assistance with the coffin for the popper burial.	17 February 2020	Rekathusa Funeral Parlour	950 Supply of Burial Coffin
The vehicle can only sent to the Merceds Benz dealership for services and maintenance. No reg 18 processes can be used since the dealer has to identify faults when servicing the car .	03 March 2020	Eco Motors	31 064 Vehicle Services and Maintenance

Ga Segonyana Local Municipality

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Notes to the Annual Financial Statements

48. Deviations (continued)

The vehicle can only sent to the Mercedes Benz dealership for services and maintenance. No reg 18 processes can be used since the dealer has to identify faults when servicing the car .

24 March 2020

John Williams
Motors

18 224 Vehicle
Services and
Maintenance

1 430 570

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Notes to the Annual Financial Statements

49. Prior period errors

	Note(s)	Previously reported R	Adjustment R	Re- classification R	Restated R
Assets					
Current Assets					
Inventories	3	49 339 487	7 411 300	-	56 750 787 [11]
Receivables from non-exchange transactions	4	21 521 683	(4 437 959)	-	17 083 724 [5]
Receivables from exchange transactions	6	57 358 104	(14 398 736)	-	42 959 368 [5]
VAT	5	10 963 587	17 464 968	-	28 428 555 [1]
Conditional grants overspent		8 850 553	-	-	8 850 553
Cash and cash equivalents	8	551 057	-	-	551 057
		148 584 471	6 039 573	-	154 624 044
Non-Current Assets					
Investment property	9	33 491 300	(5 391 300)	-	28 100 000 [11]
Property, plant and equipment	10	1 324 738 774	605 391	-	1 325 344 165 [7]
Intangible assets	11	245 925	-	-	245 925
Heritage assets	12	1 655 642	-	-	1 655 642
		1 360 131 641	(4 785 909)	-	1 355 345 732
Total Assets		1 508 716 112	1 253 664	-	1 509 969 776
Liabilities					
Current Liabilities					
Other financial liabilities	13	1 940 092	-	-	1 940 092
Finance lease obligation	14	5 603 275	-	-	5 603 275
Payables from exchange transactions	15	127 935 369	(5 708 971)	-	122 226 398 [12]
Consumer deposits	16	4 713 557	-	-	4 713 557
Employee benefit obligation	17	1 541 243	-	-	1 541 243
Unspent conditional grants and receipts	18	-	-	-	-
		141 733 536	(5 708 971)	-	136 024 565
Non-Current Liabilities					
Other financial liabilities	13	14 106 191	-	-	14 106 191
Finance lease obligation	14	1 935 960	-	-	1 935 960
Employee benefit obligation	17	31 242 446	-	-	31 242 446
Provisions	19	18 846 803	-	-	18 846 803
		66 131 400	-	-	66 131 400
Total Liabilities		207 864 936	(5 708 971)	-	202 155 965
Net Assets		1 300 851 176	6 962 635	-	1 307 813 811
Accumulated surplus		1 300 851 176	6 962 635	-	1 307 813 811 [2]

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

49. Prior period errors (continued)

Statement of Financial Performance

		Previously reported	Adjustment	Re- classific ation	Restated	Refer
	Note(s)	R	R	R	R	I
Revenue						
Revenue from exchange transactions						
Sale of Stands		2 137 055	135 018	-	2 272 073	[3]
Service charges	21	142 326 754	(3 477 594)	-	138 849 160	[4]
Rental of facilities and equipment	22	1 214 927	432 631	-	1 647 558	
Interest on outstanding receivables		6 189 421	-	-	6 189 421	
New connections and administration fees		1 133 103	(1 133 103)	-	-	[4]
Licences and permits		2 748 788	-	-	2 748 788	
Other income		2 979 957	1 251 966	-	4 231 923	[4]
Interest received - investment	24	2 835 635	-	-	2 835 635	
Total revenue from exchange transactions		161 565 640	(2 791 082)	-	158 774 558	
Revenue from non-exchange transactions						
Taxation revenue						
Property rates	25	43 409 469	-	-	43 409 469	
Transfer revenue						
Government grants & subsidies	26	274 017 192	36 072 467	-	310 089 659	[6]
Public contributions and donations		36 072 467	(36 072 467)	-	-	[6]
Fines, Penalties and Forfeits		1 756 338	-	-	1 756 338	
Total revenue from non-exchange transactions		355 255 466	-	-	355 255 466	
Total revenue	20	516 821 106	(2 791 082)	-	514 030 024	
Expenditure						
Employee related costs	27	(124 905 614)	-	-	(124 905 613)	
Remuneration of councillors	28	(9 814 878)	-	-	(9 814 878)	
Depreciation and amortisation	29	(62 787 847)	(91 244)	-	(62 879 091)	[7]
Finance costs	31	(18 253 424)	-	-	(18 253 424)	
Debt Impairment	32	(61 380 176)	30 255 194	-	(31 124 982)	[5]
Bad debts written off		(585 529)	(45 462 275)	-	(46 047 804)	[5]
Bulk purchases	34	(102 938 964)	-	-	(102 938 964)	
		-	-	-	-	
General Expenses	35	(109 394 056)	(608 275)	-	(110 002 331)	[8]
Total expenditure		(495 796 895)	(10 170 193)	-	(505 967 087)	
Operating surplus		21 024 211	(12 961 275)	-	8 062 937	
Loss on disposal of assets		5 231 404	132 777	-	5 364 181	[7]
Fair value adjustments	51	1 624 100	-	-	1 624 100	
Actuarial gains/losses	17	(6 556 879)	-	-	(6 556 879)	
Loss on biological assets and agricultural produce		-	(5 736 407)	-	(5 736 407)	
		298 625	(5 603 630)	-	(5 305 005)	
Surplus for the year		21 322 836	(18 564 905)	-	2 757 932	
Other						
Irregular expenditure		83 024 782	(22 586 896)	-	60 437 886	[9]
Fruitless and wasteful expenditure		2 150 490	274 769	-	2 425 259	[10]
		85 175 272	(22 312 127)	-	62 863 145	

* See Note 49

Ga Segonyana Local Municipality

Annual Financial Statements for the year ended 30 June 2020

Statement of Financial Performance

	Note(s)	2020 R	2019 Restated* R
49. Prior period errors (continued)			
[1] Vat receivable decreased by R19 472 813 due to correction of sale of stands that was overstated in the prior year. Vat assessments written off in prior year were also recovered in the 2019/20. Furthermore the vat on debtors written off was accounted for resulting in reduction in vat output.			
[2] Closing Accumulated surplus increased due to all changes made on income statement line items.			
[3] Revenue - Sale of stands was increased by R135 018 due to revenue which was understated in the prior year.			
[4] New connections for R1 133 103 had been reclassified to other income and service charges. Furthermore service charges had been adjusted due to remapping of other votes to other income, restatement of prepaid electricity and adjustment to billing amounts..			
[5] Bad debts written off increased due to write off of long outstanding debtors. The adjustment resulted in decrease in debtors balance. The debt impairment provision for such debtors was also reversed. This also resulted in decrease in provision and movement in debt impairment allowance for prior year.			
[6] Public contributions had been reclassified and disclosed as part of government grants and subsidies resulting in increase in government grants and subsidies by R36 072 467.			
[7] Property Plant and Equipment increased by R 605 394 as a result of assets which were written off in prior years but identified during 2019/20 physical verification. This also had an impact on depreciation, impairment loss and loss on disposal.			
[8] General expenditure had increased by R608 275 due to restatement of cigitell expenditure which was understated in prior year and reclassification of other transactions.			
[9] Irregular expenditure decreased by R22 586 896 due to error as irregular expenditure was understatement in prior year.			
[10] Fruitless and Wasteful expenditure increased by R274,769 due of fruitless and wasteful expenditure in prior year.			
[11] Inventory increased by 7 411 300 due to properties which were reclassified from investment property. This also resulted in adjustment in investment property.			
[12] Payables were adjusted by 5 708 969 as a result of adjustment of employee related accrual which was overstated in the prior year.			
The accounting policies on pages 15 to 36 and the notes on pages 36 to 81 form an integral part of the annual financial statements.			
50. Events after the reporting date			
Part of the municipal building burnt down. As a result the value of buildings reported does not reflect the effect of the fire.			
51. Fair value adjustments			
Investment property (Fair value model)		136 000	1 624 100

* See Note 49